

1979

VICTORIA

SUPPLEMENTARY REPORT

OF THE

AUDITOR-GENERAL

FOR THE YEAR ENDED

30 JUNE 1979

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REPORT OF THE AUDITOR-GENERAL OF VICTORIA

SUPPLEMENTAL TO THE REPORT OF 11 DECEMBER 1979, IN
RELATION TO THE TREASURER'S STATEMENT OF THE FINANCES
FOR THE YEAR ENDED 30 JUNE 1979.

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.

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 3 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 3 members appointed by the Governor in Council. These 3 members are also the 3 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. Victoria's share of these costs was \$291 700 in 1976-77 and \$300 000 in 1977-78, and was paid to the Development Corporation. The accounts of the Development Corporation are audited by the Commonwealth Auditor-General.

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 final accounts for the years ended 30 June 1977 and 1978 which were not available at the time of my 1977-78 Supplementary Report are included in this Report.

At the time of preparation of this Report the accounts for the year ended 30 June 1979 were not available.

The Corporation's Income and Expenditure Accounts for the years 1975-76, 1976-77 and 1977-78 are compared hereunder:

Income and Expenditure Account										
<i>1975-76</i>					<i>1976-77</i>		<i>1977-78</i>			
\$					\$		\$			
INCOME										
123 650	Land Sales	..	..	..	..	403 208	168 600		
119 030	<i>less</i> Cost of Land Sold..	..	..	..	..	323 922	153 360		

1975-76		1976-77	1977-78
\$		\$	\$
4 620		79 286	15 240
74 674	Rentals	384 945	685 774
39 623	Interest Received	36 403	24 634
..	Miscellaneous	3 454	3 928
<u>118 917</u>		<u>504 088</u>	<u>729 576</u>

EXPENDITURE

3 169 018	Interest	4 987 725	6 388 059
	Tenanted Properties—		
13 387	Repairs, Maintenance and Other Expenses ..	129 058	250 489
29 437	Ex-Gratia Payment in lieu of Rates	68 836*	36 713
..	Development Expenses	498 973†	†307 273
344 677	Amortisation of Capital Charges	294 855	301 001
..	Sundry Acquisition Expenses .. .. .	..	27 688
4 016	Miscellaneous	19 463	14 492
<u>3 560 535</u>		<u>5 998 910</u>	<u>7 325 715</u>
3 441 618	Deficit for year	5 494 822	6 596 139
<u>118 917</u>		<u>504 088</u>	<u>729 576</u>

* Includes ex-gratia payments on account of two years

† In 1976-77 and 1977-78, the Corporation wrote off certain development expenses totalling \$806 246 which were not in the nature of Establishment or Preliminary Expenses.

Assets, Liabilities and Funds—The statement hereunder shows the Assets and Liabilities and Funds of the Corporation at 30 June 1976, 1977 and 1978.

30.6.76		30.6.77	30.6.78
\$		\$	\$
FUNDS EMPLOYED			
CAPITAL ADVANCES—			
412 500	Commonwealth Government Grants	412 500	412 500
42 704 732	Victorian Government Loans (ex Commonwealth)	52 762 932	55 240 077
..	Victorian Government Loans .. .. .	..	535 690
3 771 239	Capitalised Interest	8 758 965	15 147 023
..	Private Loans .. .. .	..	500 000
<u>46 888 471</u>		<u>61 934 397</u>	<u>71 835 290</u>
Less ACCUMULATED DEFICIENCY—			
797 168	At 1 July	4 238 786	9 733 608
3 441 618	Deficiency for year	5 494 822	6 596 139
<u>4 238 786</u>		<u>9 733 608</u>	<u>16 329 747</u>
<u>42 649 685</u>		<u>52 200 789</u>	<u>55 505 543</u>
REPRESENTED BY			
FIXED ASSETS—			
14 443 642*	Acquired Land and Buildings	16 520 399†	16 657 858†
..	Developed Land and Buildings	3 603 521†	7 076 656†
18 183 424*	Land Held for Development	20 865 333†	21 415 466†
7 322 207	Construction in Progress	7 260 901	5 691 960
..	Machinery and Equipment (Cost less Depreciation) .. .. .	..	39 488
<u>39 949 273</u>		<u>48 250 154</u>	<u>50 881 428</u>
CURRENT ASSETS—			
124 644	Cash at Bank and Deposits on Call	13 831	586 825
105 885	Debtors under Contract of Sale	171 043	32 242
7 194	Debtors	20 262	27 456
12 322	Developed Land	2 197 860	2 735 520
..	Advances to Development Corporation	407 059	413 922
1 136 550	Payments on uncompleted land acquisitions ..	..	..
<u>1 386 595</u>		<u>2 810 055</u>	<u>3 795 965</u>

30.6.76		30.6.77		30.6.78	
\$	INTANGIBLE ASSETS—	\$	\$	\$	\$
1 926 953	Establishment and Preliminary Expenses ..	2 022 521		2 053 251	
548 245	Less Written off	843 100		1 144 101	
<u>1 378 708</u>			<u>1 179 421</u>		<u>909 150</u>
			52 239 630		55 586 543
42 714 576	<i>Less</i> CURRENT LIABILITIES—		38 841		81 000
64 891	Creditors, Deposits and Rent paid in advance				
<u>42 649 685</u>			<u>52 200 789</u>		<u>55 505 543</u>

* At cost.

† At cost plus holding charges.

The following notes have been appended to the balance sheets by the Corporation and are to be read in conjunction therewith:

1977 Balance Sheet

NOTE: Included in the assets is an amount of \$1 877 083 paid in respect of properties outside or partly outside the area designated in pursuance of the *Albury-Wodonga Area Land Acquisition Act 1973*.

1978 Balance Sheet

NOTE: Included in the assets of the Corporation are certain properties outside or partly outside the area designated in pursuance of the *Albury-Wodonga Agreement Act 1973*. The Government is promulgating amending legislation to validate the transactions.

In my previous Reports, attention has been drawn to four properties acquired by the Corporation which were outside or partly outside the area designated in the legislation. I further indicated, that, in terms of the *Albury-Wodonga Agreement Act 1973*, the Corporation's funds were not available for these purchases.

During 1978, as a result of further investigations by the Corporation, the following properties which were partly outside the designated area came to notice:

- (i) *F. S. & R. A. McFarland (Wodonga)*
 Total area acquired 121 ha
 Area outside designation 6.35 ha
- (ii) *V. J. & E. M. Tobin & Co. Pty. Ltd. (Wodonga)*
 Total area acquired 111.6 ha
 Area outside designation 5.75 ha
- (iii) *A. G. Richardson (Wodonga)*
 Total area acquired 90.88 ha
 Area outside designation 15.93 ha
- (iv) *J. W. Proctor (Wodonga)*
 Total area acquired 63.9 ha
 Area outside designation 2.3 ha

Following audit investigation, the Corporation's attention has been drawn to the following two properties which are totally outside the designated area.

- (i) C. M. Cole (Wodonga) 1.12 ha
- (ii) D. C. C. Kruss (Wodonga) 1.21 ha

These two properties, along with many others, were purchased by the Public Works Department for the Minister for State Development Decentralization and Tourism and were ultimately granted to the Corporation pursuant to the provisions of the *Albury-Wodonga Agreement Act 1973*.

Advances

Under the relevant Financial Agreement with the Commonwealth, principal repayments on the advances received from the Commonwealth Government through the Victorian Treasury 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. At 30 June 1978, the total loan liability to the Commonwealth stood at \$55 240 077 and the interest capitalised to that date was \$15 147 023.

Valuation of Land

Included in the Balance Sheet are the assets Land, both developed and undeveloped, and Buildings, which are recorded at cost plus holding charges. A number of years have elapsed since the vast majority of properties were acquired and in view of the general movement in property values over the years, I am of the opinion that the Corporation should take steps to have all properties independently valued and for the results of such valuation to be reflected in the Balance Sheet.

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 audit of the accounts of the Board for the year ended 30 June 1979 is in course. The following statement summarises the income and expenditure of the Building Industry Long Service Leave Fund for the years ended 30 June 1978 and 1979.

Building Industry Long Service Leave Fund

1977-78		1978-79
\$		\$
	<i>Income</i>	
6 119 704	Contributions from Employers	7 166 555
300 714	Interest on Investments	732 230
1 115	Surcharges and Interest on Outstanding Contributions	79 925
830	Miscellaneous	3 688
6 422 363		7 982 398
	<i>Expenditure</i>	
1 368 481	Long Service Leave Payments	1 667 243
630 953	Salaries and Related Charges	714 888
181 079	Administration and Superannuation Oncost—Treasury Recoups	197 160
144 300	Provision for Revenue Adjustment	144 300
70 420	Rental	75 418
28 608	Postage and Telephone	58 010
91 959	E.D.P. Equipment Hire and Maintenance	55 817
6 052	Provision for Depreciation	53 171
21 076	Printing and Stationery	31 303
61 568	Other	138 985
2 604 496		3 136 295
3 817 867	Operating Surplus	4 846 103
1 377 593	Accumulated Revenue Account Balance 1 July	5 178 703
5 195 460		10 024 806
	Deduct—	
16 757	Establishment and Development Costs	1 600
5 178 703	Accumulated Revenue Account Balance 30 June	10 023 206

The Fund at 30 June 1978 and 1979 comprised:

30.6.78		30.6.79	
\$		\$	\$
43 000	Provision for Long Service Leave —Staff		61 000
5 178 703	Accumulated Revenue Account ..		10 023 206
<u>5 221 703</u>			<u>10 084 206</u>
	Represented by—		
	Fixed Assets—		
..	Computer Installation ..	400 314	
..	Less Provision for Depreciation	46 721	
82 850	Furniture Equipment and Motor Vehicles	85 030	353 593
7 300	Less Provision for Depreciation	12 789	
<u>75 550</u>			<u>72 241</u>
703	Stores and Stationery on Hand		1 681
<u>76 253</u>			<u>427 515</u>
	Current Assets—		
	Sundry Debtors and Pre- payments—		
577 365	Contributions	559 384	
144 300	Less Provision for Revenue Adjustment	144 300	
<u>433 065</u>		<u>415 084</u>	
..	Less Provision for Doubtful Debts	19 500	395 584
433 065	Interest Accrued		240 353
100 020	Other		1 553
694			<u>637 490</u>
<u>533 779</u>			
	Less Current Liabilities—		
112 288	Long Service Leave Benefits ..	339 086	
56 446	Bank Overdraft	149 572	
320 921	General	474 073	
<u>489 655</u>			<u>962 731</u>
44 124			(325 241)
	Investments—		
3 901 326	Government and Semi-Government Securities	8 490 932	
1 200 000	Short Term Money Market ..	100 000	
..	Mortgage Loans	1 391 000	
<u>5 101 326</u>			<u>9 981 932</u>
<u>5 221 703</u>			<u>10 084 206</u>

The Board made a Provision for Revenue Adjustment of \$144 300 in respect of certain workers who are not liable to make contribution and in respect of certain other workers whose status is yet to be resolved.

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 Commission Vote and from moneys provided from the Commonwealth Assistance Medibank Trust Account.

The Institute's income and expenditure for the past two years are set out hereunder:

<i>1977-78</i>	<i>Income</i>	<i>1978-79</i>	
\$		\$	\$
	State Government Grants—		
6 544 500	From Vote—for maintenance	7 461 000	
173 343	From Works and Services Account—for items of Capital Equipment under \$50 000	236 962	
			7 697 962
6 717 843	Commonwealth Assistance Medibank Trust Account ..		7 589 962
100 971	Commonwealth Home Nursing Subsidy		108 752
1 396 610	Patients' Fees		1 790 888
190 055	Miscellaneous		212 810
15 123 322			17 400 374

		<i>Expenditure</i>		
	Nursing Services—			
1 780 494	Wards	2 247 721		
1 368 553	Other	1 431 102		3 678 823
				7 381 562
6 513 257	Medical, Professional and Ancillary Services ..			5 429 765
4 835 363	Administration and Ancillary Services			844 613
757 238	Scientific and Research Departments			
15 254 905				17 334 763

The following balance-sheets set out the financial position at 30 June 1978 and 1979:

		ASSETS		
<i>30.6.78</i>		<i>30.6.79</i>		
\$		\$	\$	
	Current and Deferred Assets—			
908 214	Cash at Bank	1 124 028		
196 442	Stores on Hand	238 092		
400 646	Sundry Debtors	360 274		
28 407	Accrued Income	28 307		
3 187	Loans to Doctors	2 278		
			1 752 979	
478 446	Reserve Fund Investments		* 339 696	
	Fixed Assets (at Cost)—			
22 189 315	Building Improvements	22 584 749		
4 804 716	Furniture, Plant and Equipment	5 580 137		
93 785	Motor Cars	137 412		
			28 302 298	
29 103 158			30 394 973	

*Consisting of Short Term Deposits and Deposit Stock of the State Savings Bank \$329 290, various approved Trustee Securities \$6 406 and Company Shares and Debentures \$4 000

LIABILITIES AND FUNDS

30.6.78		30.6.79
\$		\$
	Current Liabilities—	
581 148	Sundry Creditors	596 545
330 873	Accrued Expenses	443 191
		1 039 736
	Reserve Funds—	
345 383	Special Reserve	434 363
103 565	Research Investigation	192 272
299 034	Peter Crimmins Cancer Research	292 000
85 767	Other Funds	149 020
		1 067 655
27 418 433	Capital Funds	28 280 693
(61 045)	Operating Fund	*6 889
29 103 158		30 394 973

*Includes a miscellaneous recoup in respect of former years (\$2323)

I found it necessary to record the following qualification on the accounts of the Cancer Institute Board for the year ended 30 June 1979.

Private Practice Income of \$447 685 was collected under the terms of Section 33 (3) of the *Cancer Act* 1958. Principal accounting records for this activity are neither maintained by, nor accessible to the Board, and are therefore not verifiable by audit.

COUNTRY FIRE AUTHORITY

The Country Fire Authority is constituted under the *Country Fire Authority Act 1958* for the more effective control of the prevention and suppression of fires in the country area of Victoria.

The Authority's revenue consists mainly of contributions to meet its estimated annual expenditure. These contributions are made, as to one-third, by the State from Municipalities Assistance Fund, and, as to two thirds, by fire insurance companies in proportion to risks underwritten.

In addition to these contributions, revenue is derived from insurance brokers and certain property owners who are required to contribute in those cases in which properties are insured with companies other than those licensed under Section 96 of the *Stamps Act 1958*.

Section 86 of the Act 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.

In March 1977, the Authority contracted for the design, development and installation of some 13 major data processing systems for a consideration of \$360 000, with an anticipated completion date prior to 1 July 1978.

In June 1978, the Authority formally accepted the contracted systems as being satisfactory in accordance with the contract.

At the time of preparing this Report, one system only was fully operational.

The major cause of the delay in utilising the other data processing systems appears to be that modifications to the systems are necessary to enable them to be suitable for the procedural requirements within the Authority.

In May 1977, the Authority contracted for data collection services in connection with four major systems and it was anticipated these projects would be completed prior to July 1978. At the time of preparing this Report, data collection has not been finalised for any of the systems. Payments for these services to 30 June 1979 amounted to \$206 265.

The accounts of the Authority for the year ending 30 June 1979 were not available in time for inclusion in this Report.

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 *Dandenong Valley Authority (Cardinia Creek) Act 1977* extended the Authority's district to include the Cardinia Creek catchment area.

During the year, the Authority, in accordance with Section 36 of the *Dandenong Valley Authority Act 1963*, raised \$1 000 000 in private loans. Total loan liability at 30 September 1978 was \$8 400 235.

Following is an abridged statement of the General Revenue Account for the years ended 30 September 1977 and 1978:

1976-77		1977-78
\$		\$
	Income—	
1 962 629	Rating Precepts—Original Area	2 224 499
..	Rating Precepts—Cardinia Catchment	57 939
626 646	Other	689 045
2 589 275		2 971 483
	Expenditure—	
866 333	Maintenance of Works	1 076 213
575 885	Debt Services	641 574
498 133	Administration	621 541
283 515	Survey, Investigation and Design	297 926
162 680	Depreciation	166 394
2 386 546		2 803 648
202 729	Excess of Income over Expenditure	167 835
108 375	Transfer from Plant Replacement Reserve	219 625
297 000	Funds utilised from Plant Depreciation Bank Account .. .. .	..
608 104		387 460
23 395	Less Appropriation to Loans Repayment Sinking Fund	25 395
584 709	Net Surplus for year	362 065

The Authority's balances at 30 September 1977 and 1978 are summarised hereunder:

30.9.77		30.9.78
\$		\$
	Current Assets—	
3 006 553	Cash at Bank	2 923 451
537 394	Debtors and Prepayments	489 104
59 354	Other	60 561
3 603 301		3 473 116
	Fixed Assets—	
1 353 022	Plant Vehicles and Equipment (at cost)	1 514 197
349 471	Less Provision for Depreciation	502 594
1 003 551		1 011 603
878 105	Land and Buildings (at cost)	1 012 034
36 553	Office Furniture and Machines (at cost less depreciation)	35 227
1 918 209		2 058 864

30.9.77	30.9.78
\$	\$
Capital Works—	
14 909 620	Piped or Lined Drainage Channels 17 299 138
4 685 591	River Improvement Works 5 311 910
2 602 509	Flood Retarding Basins 3 339 682
2 285 626	Land Acquisition and Compensation 2 410 361
1 773 614	Carrum Drainage District 1 773 614
450 880	Other 515 961
<u>26 707 840</u>	<u>30 650 666</u>
805 933	Less Provision for Depreciation 998 573
<u>25 901 907</u>	<u>29 652 093</u>
749 724	Investments *1 272 110
<u>32 173 141</u>	<u>36 456 183</u>

*Consisting of Interest Bearing Term Deposits \$281 000, Inscribed Stock \$164 850, Mortgage Loans \$345 848 and Cash at Bank and in Hand \$480 412

30.9.77	30.9.78
\$	\$
Current Liabilities—	
567 151	Bank Overdraft 569 858
146 346	Sundry Creditors 214 429
18 000	Contractors' Deposits 15 795
<u>731 497</u>	<u>800 082</u>
Loans—	
612 620	Government of Victoria 610 421
6 878 230	Other 7 789 814
<u>7 490 850</u>	<u>8 400 235</u>
<u>8 222 347</u>	<u>9 200 317</u>
Excess of Assets over Liabilities—	
15 536 716	Contributions from Property Owners and Subdividers 17 527 364
3 704 388	Capital Expenditure Borne by the State 4 489 388
3 396 321	General Revenue Account 3 758 386
588 307	Other Grants and Contributions 760 739
526 493	Grants by Government of Victoria 473 096
198 569	Loans Repayment Sinking Fund 240 736
..	Plant Replacement Reserve 6 157
<u>23 950 794</u>	<u>27 255 866</u>
<u>32 173 141</u>	<u>36 456 183</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".

Treasury Grants

Grants available to the Board to meet expenditure on approved Capital Works, were provided from the following sources:

- (i) Historical and Community Projects Fund—with the Treasurer's approval, an amount of \$200 000, being part proceeds from the Tattersalls' \$1 million Gold Lottery No. 2, was credited to the above Fund on behalf of the Board.

To June 1979, claims amounting to \$130 414 had been recouped by the Board from the said Fund, and

- (ii) Works and Services Account—expenditure totalling \$93 000 was recouped by the Board during 1978–79 from this Account.

Deferred Liability

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 1979, an amount of \$28 377, including accrued interest, was due to the Society. This amount has been shown in the Board's accounts as a deferred liability.

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 nine-month period ended 30 June 1978 and the year ended 30 June 1979 is summarised hereunder:

1.10.1977 30.6.1978	<i>Revenue</i>	1978-79
\$		\$
261 878	Gross Fare Revenue	340 666
65 591	Kiosk Revenue	88 827
43 487	Less: Cost of Sales, Kiosk operating expenses and depreciation	61 707
22 104	Net Profit—Kiosk	27 120
2 273	Museum Admissions	2 284
3 790	Interest Received	4 579
451	Other Income	4 871
290 496		379 520
	<i>Expenditure—Operating and Administrative</i>	
132 232	Salaries, Wages and Casual Labour	167 865
38 120	Repairs, Maintenance and Consumables	58 633
24 349	Coal and Light Up Wood	31 571
5 205	Payroll Tax * .. .. .	..
12 446	Insurances	17 042
26 159	Printing, Telephone and Advertising	28 301
2 047	Interest	2 850
3 041	Electricity	4 952
2 000	Audit Fees	4 550
615	Depreciation	2 498
4 194	Other Operating Expenses	9 460
250 408		327 722
40 088	Net Profit Transferred to Accumulated Funds ..	51 798

*The Treasurer has granted the Board exemption from payroll tax.

The Board's Balance Sheet at 30 June 1979 is summarised hereunder:

	<i>Accumulated Funds—</i>		
50 000	Treasury Advance		39 980
40 088	Retained Profits		91 886
166 000	Asset Revaluation Reserve		166 000
12 299	Government Grants		223 414
268 387			521 280
	<i>Represented By:</i>		
	<i>Current Assets—</i>		
2 262	Cash on Hand and at Bank	28 098	
28 649	Kiosk Stocks (At the lower of cost or net realisable value)	31 663	
80 000	Short Term Deposits	20 000	
6 868	Prepayments	2 321	
1 290	Other Amounts Receivable	2 835	
119 069			84 917
	<i>Less: Current Liabilities—</i>		
49 268	Trade Creditors and Accrued Charges	68 481	
6 758	Provision for Holiday Pay	10 763	
1 007	Provision for Superannuation Benefits	3 115	
57 033			82 359
62 036	<i>Working Capital</i>		2 558

\$	<i>Fixed Assets—</i>	\$	\$
166 000	Buildings, Locomotives and Rolling Stock (At Board Valuation)	166 000	
100	Less Provision for Depreciation	900	
<u>165 900</u>		<u>165 100</u>	
			\$
31 229	Buildings, Plant, Equipment and Motor Vehicle (At Cost)	44 809	
698	Less: Provision for Depreciation	2 679	
<u>30 531</u>			
		42 130	
..	Lease Building (at cost)	14 978	
40 695	Capital Works in Progress to be recouped from Government Grant	323 862	
..	Capital Works in Progress—other	1 029	
<u>237 126</u>		<u>547 099</u>	
299 162		549 657	
	<i>Less Deferred Liability—</i>		
30 775	Puffing Billy Preservation Society Loan Account	28 377	
<u>268 387</u>		<u>521 280</u>	

GAS AND FUEL CORPORATION OF VICTORIA

The Gas and Fuel Corporation of Victoria was established and constituted as a public authority under the provisions of the *Gas and Fuel Corporation Act 1950*, which also authorised it to be certified as having been incorporated as a limited company.

The functions of the Corporation are to secure the ultimate co-ordination or unification of gas, fuel and allied undertakings in Victoria, to secure the adoption of such standards of plant and equipment as will admit of the efficient inter-connection of such undertakings, to secure the amalgamation or concentration of such undertakings, to encourage and promote the use of gas, and generally to secure the safe, economical and effective supply of gas and fuel in Victoria.

A wholly owned subsidiary company, Gas and Fuel Exploration No Liability, was incorporated on 8 August 1978. This company has entered into a joint venture with Beach Petroleum No Liability to carry out exploration for oil and gas in Bass Strait and at 30 June 1979 had incurred preliminary exploration costs amounting to \$159 585.

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 auditors appointed by the Corporation audit the accounts of the subsidiaries of the Corporation, namely, Waldorf Appliances Pty. Ltd., the Albury Gas Company Ltd. and Gas and Fuel Exploration No Liability.

The following statement shows the income and expenditure of the Corporation and the consolidated figures of the Corporation and its subsidiaries, Waldorf Appliances Pty. Ltd., the Albury Gas Company Ltd. and Gas and Fuel Exploration No Liability for the year ended 30 June 1979, and the consolidated income and expenditure of the Corporation and its subsidiaries, Waldorf Appliances Pty. Ltd., and The Albury Gas Company Ltd., for the year ended 30 June 1978.

<i>Consolidated</i> 1978 \$	<i>Gas and Fuel Corporation 1979</i> \$	<i>Consolidated</i> 1979 \$
INCOME		
Sales—		
161 002 585	183 047 874	183 973 765
49 769 921	48 250 851	52 832 959
210 772 506	231 298 725	236 806 724
Less Cost of Sales—		
38 363 681	42 917 356	43 645 676
39 654 893	38 287 511	41 575 449
78 018 574	81 204 867	85 221 125
132 753 932	150 093 858	151 585 599

<i>Consolidated</i> 1978		<i>Gas and Fuel Corporation 1979</i>	<i>Consolidated</i> 1979
\$	EXPENDITURE		\$
39 967 549	Distribution	48 909 047	49 160 583
22 473 179	Marketing	24 950 700	25 576 055
42 962 109	Administration	44 579 742	45 771 367
16 200 000	Amortisation of Natural Gas Change-over Costs	18 300 000	18 328 000
2 000 000	Amortisation of Goodwill	2 000 000	2 000 000
5 860 000	Contribution to Consolidated Fund	6 820 000	6 820 000
<u>129 462 837</u>		<u>145 559 489</u>	<u>147 656 005</u>
3 291 095	Profit on Trading	4 534 369	3 929 594
..	Dividends Receivable	25 000	..
<u>3 291 095</u>	Net Profit for Year before Income Tax, Transfers to Reserves and Fixed Dividends	<u>4 559 369</u>	<u>3 929 594</u>
27 257	Provision for Income Tax .. .. .	..	21 000
1 828	Income Tax under-provided prior years .. .. .	..	34 769
50 000	Transfer to Contingency Reserve	50 000	50 000
1 500 000	Transfer to Reserve for Gas Research	2 000 000	2 000 000
4 622	Transfer to Trading Stock Valuation Reserve .. .. .	..	34 902
<u>1 583 707</u>		<u>2 050 000</u>	<u>2 140 671</u>
1 707 388	Balance carried forward to Profit and Loss Appropriation Account	2 509 369	1 788 923

The quantity of gas sold for the year was 109 137 691 gigajoules returning \$1.68 per gigajoule compared with, in 1977-78, 102 062 882 gigajoules for a unit return of \$1.58.

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 \$170 500 000 was agreed to by the Treasurer and the Corporation as the total revenue for the year 1977-78 and 4 per cent. thereof, \$6 820 000, was paid to the Consolidated Fund in June 1979.

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

	\$	\$
Balance brought forward 1 July 1978	1 620 642	
Net Profit for year from Profit and Loss Account	1 788 923	
Previous year's profit understated—Waldorf Appliances Pty. Ltd.	78 964	
Available for Appropriation		3 488 529
Preference Shares Dividend at 4 per cent. per annum for year ended 30 June 1979	315 278	
"B" Preference Shares Dividend at 6 per cent. per annum for year ended 30 June 1979	361 260	
		<u>676 538</u>
Balance carried forward 30 June 1979		<u>2 811 991</u>

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

	\$	\$
Gas and Fuel Corporation (Profit)		2 509 368
<i>Less</i>		
The Albury Gas Company (Loss)	715 027	
Waldorf Appliances Pty. Ltd. (Loss)	5 418	
		<u>720 445</u>
		<u>1 788 923</u>

The loss in respect of The Albury Gas Company for the second successive year was due to the policy of the Corporation in maintaining uniform tariffs for the supply of gas throughout the whole of the natural gas reticulation system.

Charges against revenue for the year included:

	1978	1979
	\$	\$
(a) Interest on debenture and other fixed loans from outside group	24 110 207	26 641 780
Other interest outside group	359 712	755 905
	<hr/>	<hr/>
Less interest received from investments	24 469 919	27 397 685
	3 225 050	5 178 566
	<hr/>	<hr/>
	21 244 869	22 219 119
(b) Provision in respect of Depreciation		
Buildings, Plant and Equipment	16 476 052	24 230 653
(c) Other		
Amortisation		
Natural Gas Change-over Costs	16 200 000	18 300 000
Goodwill	2 000 000	2 000 000
Doubtful Debts—Trade	780 378	809 777
Doubtful Debts—Hire Purchase	111 690	90 094
Accrued Annual Leave	672 086	714 876
Long Service Leave	1 054 887	2 192 050
Retiring Allowances	85 000	97 054
Deferred Repairs	904 610	255 610
	<hr/>	<hr/>
	21 808 651	24 459 461

Amortisation of Natural Gas Changeover Costs

The costs of conversion to natural gas which commenced in 1969 amounted to \$67 359 632 at 30 June 1979.

These costs are being written off against revenue by annual charges over a period of years and the amount written off in 1978–79 was \$18 300 000, making the total written off to date \$62 521 709.

Depreciation

Depreciation is calculated on a straight line basis at rates based on the estimated working life of fixed assets. During 1978–79, it was decided to reduce the estimates of the working life of gas pipelines, mains and services with a consequent increase of \$10 239 392 in depreciation.

The balance sheet discloses that the provision had increased by \$24 088 713 during the year and amounted to \$110 372 297 at 30 June 1979.

Provision for Doubtful Debts

	Trade	Hire Purchase
	\$	\$
Balance 1 July 1978	776 171	104 203
Provisions for year as per statement above	809 777	90 094
	<hr/>	<hr/>
Less Bad debts written off during the year	1 585 948	194 297
	753 254	84 122
	<hr/>	<hr/>
	832 694	110 175

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
	5 798 524

During 1977-78, a policy was adopted to write off this intangible asset over a period of three years. The amount written off in 1978-79 was \$2 000 000, leaving a balance of \$1 798 524 remaining at 30 June 1979.

The following is a statement of balances of the Corporation, and of the Corporation and its subsidiaries Waldorf Appliances Pty. Ltd., The Albury Gas Company Ltd., and Gas and Fuel Exploration No Liability at 30 June 1979. A statement of balances of the Corporation and its subsidiaries Waldorf Appliances Pty. Ltd. and The Albury Gas Company at 30 June 1978 is also given.

<i>Consolidated</i> 30.6.78		<i>Gas and Fuel Corporation</i> 30.6.79	<i>Consolidated</i> 30.6.79
\$		\$	\$
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	21 902 958
RESERVES			
2 500 000	Reserve for Gas Exploration	4 500 000	4 500 000
117 000	Provision for Special Leakage Survey ..	117 000	117 000
818 827	Provision for Conversion of Metered L.P. Gas	587 136	587 136
909 874	Provision for Demolition of Holders ..	674 500	674 500
2 722 306	General Reserve	2 795 885	2 870 095
27 778 963	Asset Revaluation Reserve	39 703 658	39 703 658
2 736 625	Asset Realisation Reserve	2 965 701	2 965 701
857 336	Contingencies Reserve	907 336	907 336
335 000	Provision for Repairs to Cylinders ..	980 000	980 000
38 775 931		53 231 216	53 305 426
1 620 642	Profit and Loss Appropriation Account ..	4 853 735	2 811 991
62 299 531		79 987 909	78 020 375

<i>Consolidated</i> 30.6.78 \$		<i>Gas and Fuel Corporation</i> 30.6.79 \$	<i>Consolidated</i> 30.6.79 \$
DEFERRED LIABILITIES			
10 103 445	Advances from State of Victoria ..	10 104 995	10 104 995
1 967 645	Less securities purchased and cancelled by the National Debt Commission ..	2 105 625	2 105 625
<u>8 135 800</u>			<u>7 999 370</u>
			<u>7 999 370</u>
DEBENTURES AND DEBENTURE STOCK (SECURED)			
17 260 783	Redeemable within twelve months ..	20 005 319	20 005 319
293 853 452	Redeemable after twelve months ..	321 321 571	321 321 571
<u>311 114 235</u>			<u>341 326 890</u>
<u>381 549 566</u>			<u>429 314 169</u>
			<u>427 346 635</u>
	\$ Contingent Liabilities—	\$	
12 734 000	Commitments under Contracts for Capital Expenditure and Bank Guarantees ..	10 451 000	
FIXED ASSETS			
414 216 014	Freeholds, Leaseholds, Machinery, Plant, Equipment and Capital Work in Progress (at cost or valuation)	486 373 390	491 566 667
86 283 584	Less Provision for Depreciation	110 017 735	110 372 297
<u>327 932 430</u>			<u>376 355 655</u>
			<u>381 194 370</u>
CURRENT ASSETS			
503 383	Cash in Hand and at Banks	791 672	861 268
21 298 637	Short-term Deposits	18 186 402	18 186 402
37 196 895	Trade and Other Debtors and Pre-payments (less Consumers' Deposits and provision for Bad and Doubtful Debts	42 525 134	43 763 343
12 592 895	Stocks at Cost or Valuation	13 927 099	15 361 982
..	Amount Owing by Subsidiaries	8 669 128	..
<u>71 591 810</u>			<u>84 099 435</u>
			<u>78 172 995</u>
Less CURRENT LIABILITIES			
26 550 859	Trade and Other Creditors	23 670 493	24 345 953
2 603 378	Bank Overdraft	2 228 409	2 275 444
PROVISIONS			
3 811 480	Accrued Annual Leave	4 399 442	4 418 570
10 249 020	Long Service Leave	11 250 000	11 373 926
745 317	Retiring Allowances	691 841	691 841
1 329 233	Deferred Repairs	1 307 965	1 307 965
338 269	Preference Dividend	338 269	338 269
26 735	Income Tax .. ..	..	21 000
<u>45 654 291</u>			<u>43 886 419</u>
<u>25 937 519</u>	NET CURRENT ASSETS		<u>40 213 016</u>
			<u>33 400 027</u>
INVESTMENTS			
..	In Statutory Authorities	5 000 000	5 000 000
..	In Subsidiary Companies	1 090 191	..
33 000	In Other Companies	33 000	33 000
<u>33 000</u>			<u>6 123 191</u>
			<u>5 033 000</u>

<i>Consolidated</i> 30-6-78		<i>Gas and Fuel Corporation</i> 30-6-79	<i>Consolidated</i> 30-6-79
\$		\$	\$
	INTANGIBLES		
3 817 452	Goodwill on Consolidation	1 798 524	1 817 452
876 642	Unamortised Debenture Issue Expenses ..	904 278	904 278
22 952 523	Natural Gas Change-over Costs	3 919 505	4 837 923
..	Exploration Costs .. ..	..	159 585
<hr/> 27 646 617			<hr/> 6 622 307
<hr/> 381 549 566			<hr/> 7 719 238
			<hr/> 429 314 169
			<hr/> 427 346 635

Capital

	1978	1979
	\$	\$
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
	<hr/> 43 250 000	<hr/> 43 250 000
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
	<hr/> 21 902 958	<hr/> 21 902 958

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 \$31 815 000. Also, debentures amounting to \$15 622 900 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:

	1978	1979
	\$	\$
Freehold Land at cost and valuation	27 344 572	40 389 151
Leasehold Land	8 400	..
Buildings at cost and valuation	14 331 508	18 077 680
Machinery Plant and Equipment at cost and valuation	356 026 116	388 718 417
Capital works in progress	16 505 418	44 381 419
	<hr/> 414 216 014	<hr/> 491 566 667
Less Provision for Depreciation	86 283 584	110 372 297
	<hr/> 327 932 430	<hr/> 381 194 370

Superannuation Fund

The Gas and Fuel Corporation has established a Superannuation Fund under a Trust Deed dated 14 June 1951, pursuant to Section 30 of the *Gas and Fuel*

Corporation Act 1958. The accounts of the Fund are audited by a private auditor appointed in accordance with the Deed. During the year the Corporation made a contribution to the Fund of \$4 862 003 and the last actuarial revision of 30 June 1977 disclosed an actuarial surplus.

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.

	<i>To 30 June 1978</i>	<i>1978-79</i>	<i>To 30 June 1979</i>
	\$	\$	\$
ACQUISITION OF SHARES			
Subscription for 4 000 000 Ordinary Shares of \$2	8 000 000	..	8 000 000
Purchase of Preference Shares	7 648 894	40 000	7 688 894
	<u>15 648 894</u>	<u>40 000</u>	<u>15 688 894</u>
ADVANCES			
Advanced for Capital Works	12 000 000	..	12 000 000
Loan Flotation Expenses	104 995	771	105 766
	<u>12 104 995</u>	<u>771</u>	<u>12 105 766</u>
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 ..	<u>27 753 889</u>	<u>40 771</u>	<u>27 794 660</u>
COST TO THE STATE ON ACCOUNT OF THE ABOVE			
Debt Charges	27 257 953	1 363 369	28 621 322
<i>Less Recoups etc., from Corporation—</i>			
Debt Charges	12 404 440	780 415	13 184 855
Dividends on Preference Shares	6 973 133	306 033	7 279 166
	<u>19 377 573</u>	<u>1 086 448</u>	<u>20 464 021</u>
Net Cost to the State	<u>7 880 380</u>	<u>276 921</u>	<u>8 157 301</u>

The above statement does not take into account the sum of \$7 680 000, already referred to, which was paid into the Consolidated Fund in 1978-79 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 1979, namely, \$35 855 000.

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 1979, the State was the registered owner of 3 830 691 shares. The transfer of a further 6579 shares was in course and \$24 980 was held by the Corporation for future purchases.

GEELONG HARBOR TRUST

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

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

	1977	1978
<i>Revenue</i>	\$	\$
Operating Revenue—		
Harbor Revenue	2 617 888	3 099 686
Shipping Services	2 198 192	2 444 595
Other	311 210	285 126
Non-operating Revenue—		
Interest	177 873	363 215
Sale of Scrap Materials	561	235
	<u>5 305 724</u>	<u>6 192 857</u>
 <i>Expenditure</i>		
Operating Expenses—		
Administration and General Charges	1 236 884	1 315 088
Shipping Services	1 664 866	1 932 700
Maintenance	766 338	764 333
Depreciation and Amortisation	844 050	860 831
Non-operating Expenses—		
Superannuation and Gratuities	336 128	369 474
Interest	142 248	115 001
Long Service Leave	81 961	86 823
Miscellaneous	2 043	2 148
	<u>5 074 518</u>	<u>5 446 398</u>
Net Surplus	<u>231 206</u>	<u>746 459</u>

<i>Net Revenue Statement</i>		1977	1978
		\$	\$
Balance 1 January		10 329 013	10 521 662
Add Surplus for year		231 206	746 459
		<u>10 560 219</u>	<u>11 268 121</u>
Less Provision for Long Service Leave ..	16 172	31 904	
Allocation to Sinking Fund ..	22 385	14 785	
		<u>38 557</u>	<u>46 689</u>
Balance 31 December		<u>10 521 662</u>	<u>11 221 432</u>

The operations of the Trust for the year ended 31 December 1978 resulted in a surplus of \$746 459 compared with \$231 206 for the previous year. The improved result, achieved without any increase in port charges other than towage rates, was due mainly to a rise in imports through the Port together with an increase in income from investments.

The following is an abridged statement of the Trust's balance-sheet at 31 December 1977 and 1978:

31.12.77		31.12.78
\$		\$
	Current Assets—	
2 100	Cash	2 100
999 886	Investments	1 959 252*
776 698	Sundry Debtors and Prepayments ..	723 042
73 825	Stores (at cost)	73 184
<u>1 852 509</u>		<u>2 757 578</u>
	Deferred Assets—	
1 956 950	Various Advances etc.	1 798 064†
	Fixed Assets (at cost)—	
258 919	Land	480 786‡
2 071 140	Buildings and Improvements ..	2 110 618
(1 003 333)	Less Provision for Depreciation ..	1 069 910
		<u>1 040 708</u>
27 425 690	Harbor Works	27 527 718
(8 487 524)	Less Provision for Depreciation and Amortisation	9 129 713
		<u>18 398 005</u>
3 064 544	Floating Plant	3 004 579
(1 896 005)	Less Provision for Depreciation ..	1 956 653
		<u>1 047 926</u>
664 617	Other Plant and Vehicles	674 872
(385 577)	Less Provision for Depreciation ..	412 388
		<u>262 484</u>
81 374	Furniture and Fittings	82 010
(58 306)	Less Provision for Depreciation ..	62 070
		<u>19 940</u>
<u>21 735 539</u>		<u>21 249 849</u>
	Funds—	
6 942 865	Specific Funds	7 509 271§
<u>32 487 863</u>		<u>33 314 762</u>
	Current Liabilities—	
43 308	Bank Overdraft	38 946
241 451	Sundry Creditors and Accruals ..	225 482
<u>284 759</u>		<u>264 428</u>
	Deferred Liabilities—	
2 238 500	Inscribed Stock	1 478 500
558 514	Provision for Long Service Leave ..	623 305
<u>2 797 014</u>		<u>2 101 805</u>
	Capital and Reserves—	
5 634 903	Endowments	5 658 224
6 306 660	General Reserve	6 559 602
10 521 662	Net Revenue Account	11 221 432
6 942 865	Specific Reserves	7 509 271
<u>29 406 090</u>		<u>30 948 529</u>
<u>32 487 863</u>		<u>33 314 762</u>

* Consisting of Inscribed Stock (at cost) \$434 252, Official Short Term Money Market \$75 000, Term Deposit \$1 450 000
† Consisting of Advances re commercial mortgages etc. \$1 541 444, staff housing \$226 066, other \$30 554
‡ Consisting of Vested Land (at book value) \$99 592 (Cost—Nil), Purchased Land (at cost) \$381 194
§ Consisting of Inscribed Stock (at cost) \$7 262 668, Term Deposit and Cash \$246 603

Specific Reserves and Funds—Transactions within the respective Reserves and Funds during 1978 are given hereunder:

	<i>Port Development Fund</i>	<i>Insurance Reserve Fund</i>	<i>Sinking Fund</i>	<i>Total</i>
	\$	\$	\$	\$
Balance 1 January	4 470 465	2 370 949	101 451	6 942 865
Allocation from Revenue .. .. .	..	..	14 785	14 785
Interest on Investments	380 542	210 199	5 097	595 838
Profit (Loss) on realisation of inscribed stock	(442)	(1 793)	18	(2 217)
	4 850 565	2 579 355	121 351	7 551 271
<i>Less—</i>				
Expenditure for year .. .. .	..	..	42 000	42 000
Balance 31 December	4 850 565	2 579 355	79 351	7 509 271

Provision for Long Service Leave—An amount of \$31 904, in respect of employees attaining 10 years service during the year under review, was appropriated to the provision for long service leave from the net surplus at 31 December 1978. An additional amount of \$86 823 was credited to the provision in respect of employees already qualified in terms of service. Payments during 1978 totalled \$53 936 leaving a balance, at 31 December 1978, of \$623 305.

Geelong Harbor Trust Superannuation Fund

The Geelong Harbor Trust Superannuation Fund is operated in accordance with the regulations prescribed pursuant to Section 99 of the *Geelong Harbor Trust Act* 1958. On retirement, contributors are entitled to a lump-sum cash payment of an amount equivalent to their equity in the Fund at that date.

Details of the Fund's operations for 1977 and 1978 are shown hereunder:

<i>1977</i>		<i>1978</i>	
\$		\$	\$
2 618 771	Balance 1 January		3 242 316
290 711	<i>Add</i> Contributions—Trust (net)	327 665	
158 278	Employees	173 617	
		501 282	
235 542	Investment Income	327 375	
3 303 302		4 070 973	
60 986	<i>Less</i> Benefit Payments	136 523	
3 242 316	Balance 31 December	3 934 450*	

* Consisting of Inscribed Stock (at par) \$3 630 300, Term Deposit and Cash \$304 150

GRAIN ELEVATORS BOARD

The Grain Elevators Board is constituted under the provisions of the *Grain Elevators Act* 1958 and under the *Grain Elevators (Amendment) Act* 1977, which latter Act operated from 1 July 1977, when the number of Board members was increased from three to six. The Board 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 hire of grain-handling facilities.

Wheat receivals for the 1977-78 season totalled 1 532 295 tonnes while 289 373 tonnes of barley were handled. The comparable totals for the 1976-77 season were 1 780 757 tonnes and 361 333 tonnes, respectively.

Consequent on the amendment of the *Grain Elevators Act* 1958 by the *Grain Elevators (Amendment) Act* 1975, the Board's charter as a grain handling authority was extended to cover, in addition to wheat and barley, oats, sorghum, maize, rice, oil seeds and all prescribed kinds, qualities and varieties of grain. For the year ended 31 October 1978, 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 and Portland terminals for which charges were recouped in accordance with the Board's by-laws.

Portland Facilities

Under the provisions of the *Grain Elevators (Amendment) Act* 1977, which operated from 1 July 1977, the authority for the Portland Harbor Trust Commissioners to operate and maintain the grain terminal at Portland was revoked.

By agreement between the two bodies, and with Ministerial approval operational control of the Trust's grain handling facilities was taken over by the Board as from 1 November 1977. At the time of preparation of this Report, negotiations between the two bodies were still in course and a contract had not been formalised.

Correspondence between the Trust and the Board disclosed that the general financial terms of the take-over of the Trust's assets and liabilities were as follows:

						\$
Written down value of Grain Terminal fixed assets	..	..				1 913 067
Road and rail works	..	..	..	..	..	94 567
						<hr/>
						2 007 634
Less—Trust loan liability to be taken over by Board	..	..				2 000 000
						<hr/>
Board to pay balance in cash	..	..	..	..	..	7 634
						<hr/>

In addition there are two other principal matters where final agreement has not been reached, namely, valuation of the grain gantry and shiploaders and a rental figure for Trust land on which grain facilities are located.

None of the Trust's assets and liabilities involved in the take-over have yet been incorporated in the Board's accounting records and, therefore, they do not appear in the Balance Sheet (see page 32). However, during the year 1977-78 the Board

expended the sum of \$622 038 on outloading facilities at Portland on land it is negotiating to lease and/or acquire from the Trust. This expenditure has been included in the Balance Sheet under Fixed Assets.

Loan Liability

Under the *Grain Elevators Act 1958* the Board may borrow up to \$45 million. Loan liability at 31 October 1978 amounted to \$30 772 402 comprising \$29 430 053 for authorised borrowings secured by inscribed stock guaranteed by the State and \$1 342 349 by way of advances from Works and Services Account. In addition, the Board has assumed responsibility for the Portland Harbor Trust's indebtedness totalling \$2 million (see preceding paragraph under Portland Facilities). However, this liability is still in the name of the Trust. During the year 1977-78, the Board reimbursed the Trust the following amounts:

	\$
Interest on Loans	128 866
Reduction of Principal	11 200
	140 066

The interest on Trust loans has been charged as a finance expense in the Board's Profit and Loss Account. The reduction of principal has been deducted from the Board's Inscribed Stock Sinking Fund Reserve.

The Board does not appear to have specific powers under the *Grain Elevators Act* to make these payments totalling \$140 066 to the Trust.

Acquisition of Facilities from Victorian Oatgrowers Pool

On 1 July 1978, the Board purchased, for the sum of \$2 375 459, bulk storages, land, improvements and equipment from the Victorian Oatgrowers Pool and Marketing Co. Ltd. These facilities appear in the Board's Balance Sheet under Fixed Assets. No depreciation was provided by the Board for the year 1977-78 in its accounts for these assets.

Basis of Accounting

The Board's accounting period ends on 31 October in each year. During 1977-78, the Board determined a change in its accounting policy in that the accounts for that year would be prepared on an accruals basis as distinct from a general cash basis as operated in prior years. In addition, due to regionalisation of the Board's activities, a new chart of financial accounts was introduced from 1 May 1978.

Costs incurred for the first six months of the year have been arbitrarily reallocated by the Board to accord with the new chart of accounts which operated for the second six months of the accounting year. Consequently, in the following Profit and Loss Account, comparison of the previous year's expenditure must take into account that certain arbitrary reallocations of costs have been made and that accrual accounting has also been introduced into the accounts.

Qualification of Board's Financial Accounts

In respect of the year 1977–78, I found it necessary to record the following qualifications on the Balance Sheet of the Grain Elevators Board:

1. Portland Facilities—As stated in notes 7 and 9 to the accounts, operational control of the Portland Harbor Trust grain handling facilities at Portland was taken over by the Board, by agreement, on 1 November 1977. However, the Balance Sheet does not include either the written down value of assets totalling \$2 007 634 or the liability of \$2 million of Portland Harbor Trust loans on inscribed stock agreed to be taken over in the acquisition. During 1977–78, expenditure of \$622 038 was incurred on outloading facilities which are situated on land which the Board is negotiating to lease and or acquire from the Trust.
2. Portland Harbor Trust Loans—As stated in notes 2 and 10 to the accounts, finance expenses of the Board include an amount of \$128 866 paid to the Trust on inscribed stock loan liability totalling \$2 million which is proposed to be taken over by the Board as part of the consideration for the purchase of the Portland facilities. In addition, a principal repayment of \$11 200 was made to the Trust on this loan liability and deducted from the Board's Inscribed Stock Sinking Fund Reserve.
3. The Grain Elevators Board does not appear to have specific power under the *Grain Elevators Act* 1958 to make payments to the Trust as referred to in note 2 above.

REVENUE AND EXPENDITURE

A statement of the Board's revenue and expenditure for the year ended 31 October 1978 follows:

1976-77		1977-78	
\$		\$	\$
REVENUE			
9 298 922	Australian Wheat Board Wheat Handling Charges		11 602 933
2 090 397	Australian Barley Board Barley Handling Charges	1 835 269	
..	Portland Capital Facilities Charge	68 187	
			1 903 456
	Other Grain Handling Recoveries		
..	Country	58 215	
260 457	Geelong	298 665	
..	Portland	89 705	
			446 585
11 649 776	Total Revenue—Grain Handling		13 952 974
EXPENDITURE			
714 401	Administration Expenses		
..	Office Salaries		1 092 033
..	Workers Compensation		44 744
198 045	Payroll Tax		36 929
482 098	General Expenses		504 918
1 394 544			1 678 624
	Operating and Maintenance Expenses		
	Geelong Terminal Expenses		
1 101 640	Salaries	1 321 221	
..	Workers Compensation	73 247	
..	Payroll Tax	60 454	
447 922	Maintenance and Operating	479 233	
..	Consulting Fees	72 000*	
1 549 562			2 006 155
	Portland Terminal Expenses		
..	Salaries	254 586	
..	Workers Compensation	14 024	
..	Payroll Tax	11 575	
14 655	Maintenance and Operating	116 597	
..	Consulting Fees	3 300*	
342 202	Handling Charges .. ..	..
356 857			400 082
	Dunolly Sub-Terminal Expenses		
100 672	Salaries	109 743	
18 335	Maintenance and Operating	10 843	
119 007			120 586
	Sunshine Sub-Terminal Expenses		
125 644	Salaries	168 684	
58 280	Maintenance and Operating	34 357	
183 924			203 041
	Murtoa Sub-Terminal Expenses		
148 524	Salaries	128 554	
46 572	Maintenance and Operating	38 493	
195 096			167 047
	Country Elevators Expenses		
2 025 395	Salaries	2 791 484	
..	Workers Compensation	157 347	
..	Payroll Tax	162 255	
937 709	Maintenance and Operating	1 270 246	
2 963 104			4 381 332
1 540 260	Fumigants		1 195 088
4 503 364			5 576 420
6 907 810			8 473 331

* Feasibility studies on Geelong and Portland Terminals and related facilities.

1976-77		1977-78
\$		\$
	Finance Expenses	
931 367	Depreciation Reserve Fund Contribution	1 061 094
2 078 845	Interest on Loans	2 328 887†
<hr/>		<hr/>
3 010 212		3 389 981
	Statutory Sinking Fund Charges	
5 313	National Debt Sinking Fund ..	5 313
318 608	Inscribed Stock Sinking Fund ..	330 203
<hr/>		<hr/>
323 921		335 516
<hr/>		<hr/>
11 636 487		13 877 452
<hr/>		<hr/>
13 289	Net Surplus	75 522
	<i>Add</i>	
463 753	Net Accumulation brought forward ..	463 753
1 787 105	Interest on Investments	1 941 755
9 259	Reserve Fund Interest Equity relating to Assets Written off	5 079
<hr/>		<hr/>
2 273 406		2 486 109
	<i>Less Appropriations</i>	
973 183	‡Depreciation Reserve Fund ..	1 035 580
46 111	‡General Reserve Fund	48 606
121 837	‡Inscribed Stock Sinking Fund ..	127 088
136 958	‡Renewals Reserve Fund	109 252
..	‡Insurance Reserve Fund	53 933
99 428	Superannuation Reserve Fund ..	103 152
432 136	Office Building Reserve Fund ..	476 557
<hr/>		<hr/>
1 809 653		1 954 168
<hr/>		<hr/>
463 753	Net Accumulation at 31 October ..	531 941

† Includes \$128 866 on Portland Harbor Trust Loans

‡ Approved by the Honorable the Treasurer in accordance with the provisions of Section 49 of the Act.

The following is an abridged statement of the Board's Balance Sheet:

31.10.77		31.10.78
\$		\$
	FIXED ASSETS (AT COST)	
	Country Elevators	
21 085 534	Construction	24 154 111
5 989 788	Equipment	6 165 914
<hr/>		<hr/>
27 075 322		30 320 025
	Geelong Terminal	
4 103 805	Construction	4 315 995
1 884 120	Equipment	1 909 623
<hr/>		<hr/>
5 987 925		6 225 618
	Sunshine Sub-Terminal	
1 772 224	Construction	1 772 224
260 748	Equipment	261 405
<hr/>		<hr/>
2 032 972		2 033 629
	Portland Facilities	
..	Construction	483 456
.	Equipment	138 582
<hr/>		<hr/>
		622 038*

* For further reference, see page 100 of this Report.

31.10.77		31.10.78	
\$		\$	\$
..	Oat Storages and Handling Equipment ..	2 103 000	
..	Warracknabeal Land, Buildings and Equipment	272 459	
		<hr/>	2 375 459
613 205	Land and Building—Head Office ..		931 011
103 716	Office Furniture Fittings and Equipment ..		182 718
550 522	Motor Vehicles		714 828
2 443 317	Murtoa, Dunolly Sub-Terminals		3 048 615†
279 287	Sunshine Terminal, Conveyor		337 688‡
			<hr/>
39 086 266			46 791 629
INVESTMENTS AT COST			
13 520 850	Depreciation Reserve Fund		13 517 550
5 200 000	Short Term Investments		3 547 504
1 393 600	Inscribed Stock Sinking Fund		1 393 600
1 308 000	Superannuation Fund		1 308 000
1 290 000	Renewals Reserve Fund		1 290 000
630 000	General Reserve Fund		1 280 000
686 000	Insurance Reserve Fund		36 000
6 519	Electricity Connections—Repayable Deposits		2 865
			<hr/>
24 034 969			22 375 519
CURRENT ASSETS			
Sundry Debtors			
80 479	General	79 324	
1 624 628	Australian Wheat Board	2 149 830	
88 818	Australian Barley Board	165 627	
			<hr/>
298 413	Sundry Advances		2 394 781
12 126	National Debt Sinking Fund (Cash Held)		214 939
7 822	General Bank Account		32 767
..	Warracknabeal Stock		317 565
			<hr/>
2 112 286			125 432
			<hr/>
			3 085 484
GRAIN STORAGES			
7 693 110	Country Emergency Storages at Cost ..	7 693 110	
1 910 390	Geelong Emergency Storages at Cost ..	1 910 390	
4 840	Murtoa Emergency Storages at Valuation ..	4 840	
112 668	Warracknabeal Storages at Valuation ..	112 668	
39 750	Dunolly Storages at Valuation ..	39 750	
			<hr/>
9 760 758			9 760 758
			<hr/>
74 994 279			82 013 390
			<hr/>
LOAN LIABILITY			
1 368 382	Government of Victoria	1 342 349	
27 714 571	Inscribed Stock	29 430 053	
			<hr/>
29 082 953			30 772 402
RESERVES AND FUNDS			
Cancelled Securities Reserves			
801 457	National Debt Sinking Fund	848 385	
Cancelled Securities Reserves			
2 092 429	Debenture and Inscribed Stock	2 216 947	
Cancelled Securities Reserves			
2 053 806	Matured Loans	2 213 806	
1 792 649	Inscribed Stock Sinking Fund	1 954 222	
16 755 965	Depreciation Reserve Fund	19 779 025	
3 300 478	General Reserve Fund	3 999 084	

† Murtoa—Dunolly—financed by the Grain Elevators Board and is being recouped by the Australian Wheat Board over a period of ten years interest free. Recoups totalling \$1 012 363 to 31 October 1978 have been credited to the Depreciation Reserve as accelerated depreciation.

‡ Sunshine—financed by the Grain Elevators Board and is being recouped by the Australian Barley Board over a period of five years interest free. Recoups totalling \$120 000 to 31 October 1978 have been credited to the Depreciation Reserve as accelerated depreciation.

31.10.77

31.10.78

\$					\$	\$
1 472 046	Superannuation Fund	..	..	..	1 643 327	
699 266	Insurance Reserve Fund	..	..	..	103 199	
1 331 136	Office Building Reserve Fund	..	..	..	1 807 693	
1 829 752	Renewals Reserve Fund	..	..	..	1 555 821	
1 858 127	Contribution from Reserve Funds for	..	..	..
9 760 758	Renewal of Assets	..	..	..	2 241 310	
	Grain Storages Reserve	..	..	..	9 760 758	
<u>43 747 869</u>						48 123 577
463 753	Accumulated Revenue Account	..	..	..		531 941
CURRENT LIABILITIES						
451 146	Provision—Interest Payable	..	..	..	488 820	
..	Annual Leave	..	..	..	303 732	
809 760	Sundry Creditors	..	..	..	1 293 717	
<u>1 260 906</u>						2 086 269
DEFERRED LIABILITY						
438 798	Provision for Long Service Leave	..	..	..		499 201
<u>74 994 279</u>						<u>82 013 390</u>

Investments are made up of:

	\$
Inscribed Stock in semi and local government authorities	15 860 000
Grain Elevators Board Inscribed Stock	2 588 500
Debentures in semi-government authorities	250 000
Loan secured by mortgage deed	125 000
Loan secured by bank guarantee	1 650
Interest bearing bank deposits	1 900 000
Short term money market	1 647 504
Electricity connections—repayable deposits	2 865
	<u>22 375 519</u>

Statutory Reserves

Variations during the year in these Reserves are summarised hereunder:

	<i>Depreciation</i>	<i>General</i>	<i>Inscribed</i>	<i>Renewals</i>	<i>Insurance</i>
	\$	\$	\$	\$	\$
Balance 1 November 1977	16 755 965	3 300 478	1 792 649	1 829 752	699 266
Allocation from Profit and Loss	1 050 857*	..	330 203†	..	..
Accelerated Depreciation	1 012 363	..	..	..	..
Appropriation from					
Accumulated Revenue .. ..	..	..	5 079‡	..	..
Interest on Investments	1 035 580*	48 606*	122 009‡	109 252*	53 933*
Transfer from Insurance Reserve .. ..	..	650 000*	..	..	..
	<u>19 854 765</u>	<u>3 999 084</u>	<u>2 249 940</u>	<u>1 939 004</u>	<u>753 199</u>
<i>Less—</i>					
Expenditure for Year	75 740	..	284 518	..	..
Transfer to other Reserves .. ..	..	..	..	383 183	650 000
Repayment of Portland Harbor Trust Loan Liability .. ..	..	..	11 200	..	..
Balance 31 October 1978	<u>19 779 025</u>	<u>3 999 084</u>	<u>1 954 222</u>	<u>1 555 821</u>	<u>103 199</u>

For footnote references in above statement see next page

Other Reserves

Transactions within the other Reserves held within the Board's accounts are shown below:

	<i>Superannuation Fund</i>	<i>Office Building Reserve</i>	<i>Contribution from Reserve Fund for Renewal of Assets</i>	<i>Grain Storages Reserve</i>
	\$	\$	\$	\$
Balance 1 November 1977	1 472 046	1 331 136	1 858 127	9 760 758
Allocation from Profit and Loss	166 488	..	..	..
Interest on Investments	103 152†	469 222‡	..	..
Surplus on operations for year ended 31 October 1978 .. ..	..	7 335‡	..	..
Transfer from Renewals Reserve .. ..	..	..	383 183†	..
	<u>1 741 686</u>	<u>1 807 693</u>	<u>2 241 310</u>	<u>9 760 758</u>
<i>Less—</i>				
Expenditure for year	98 359	..	..	..
Balance 31 October 1978	<u>1 643 327</u>	<u>1 807 693</u>	<u>2 241 310</u>	<u>9 760 758</u>

	<i>Cancelled Securities—National Debt Sinking Fund</i>	<i>Cancelled Securities—Debenture and Inscribed Stock</i>	<i>Cancelled Securities—Matured Loans</i>
	\$	\$	\$
Balance 1 November 1977	801 457	2 092 429	2 053 806
Increase in Board's Equity	46 928	..	..
Principal Repayment .. ..	..	284 518	..
Matured Loans .. ..	..	..	160 000
	<u>848 385</u>	<u>2 376 947</u>	<u>2 213 806</u>
<i>Less</i>			
Matured Loans .. ..	..	160 000	..
Balance 31 October 1978	<u>848 385</u>	<u>2 216 947</u>	<u>2 213 806</u>

* Transfers to Reserves totalling \$2 948 228 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 116f of the Act, registration fees and a statutory contribution of 3 per cent. of the gross revenue of registered Greyhound Racing Clubs.

Pursuant to the provisions of Section 81 of the *Racing Act* 1958 the 1978 statement of income and expenditure was for the seven months ended 31 July.

The Board's statement of income and expenditure for the past two accounting periods is summarised hereunder:

	<i>Seven Months Ended 31.7.78</i>	<i>Year Ended 31.7.79</i>
	\$	\$
<i>Income</i>		
Registrations	44 090	73 445
Totalizator Agency Board .. .. .	..	168 171
Statutory Contributions by Clubs	52 405	67 084
Other Income	11 652	14 571
Total Income	108 147	323 271
<i>Expenditure</i>		
Board Members—Salaries and Expenses	9 103	19 135
Supervision Fees—Stewards	65 201	121 521
Salaries	62 248	114 133
Publication of Journal	13 942	23 574
Office Expenses	26 974	53 900
National Coursing Association of Victoria .. .. .	..	24 024
Miscellaneous	23 305	38 009
Total Expenditure	200 773	394 296
Deficit	92 626	71 025
Net Accumulation brought forward	157 645	65 019
Net Accumulation at 31 July	65 019	(6 006)

The Accumulation of the Greyhound Racing Control Board Fund at 31 July 1978 and 1979 was represented by:—

	<i>31.7.78</i>	<i>31.7.79</i>
	\$	\$
Fixed Assets	15 272	12 596
Less—Excess of Current Liabilities over Current Assets	(49 747)	18 602
	65 019	(6 006)

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 1979 was \$44 414 200 compared with \$38 131 200 at 30 June 1978. Of the amount of \$44 414 200, a sum of \$17 823 200 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		9 791 000
Other Savings Banks	15 633 200	
Trading Banks—Overdraft Accommodation	16 650 000	32 283 200
Insurance Companies		1 540 000
Other		800 000
		44 414 200

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		44 414 200
Less—Amount repaid to lending institutions (or overdraft accommodation not taken up)		13 359 752
Total liability of Trust to lending institutions		31 054 448

Loans approved by the Trust to borrowers amounted to \$62 500 950, of which sum \$16 870 390 related to second mortgages. Discharged mortgages, including mortgages on repossessed properties sold under contracts of sale, amounted to \$24 692 669. Advances currently secured by first mortgage at 30 June 1979 amounted to \$19 806 569 (net) and, by second mortgage, to \$11 334 845 (net).

The surplus for the year on account of transactions relating to first mortgages (Home Finance Fund No. 1) was \$37 240. The net deficit on account of second mortgages (Home Finance Fund No. 2) was \$99 673.

A summary of the income and expenditure of the Trust for 1977–78 and 1978–79 is furnished below. The figures are subject to audit.

	<i>Income</i>			
	1977–78	\$	1978–79	\$
Interest Receivable from Mortgagors and on Sales, etc.	1 928 243	\$	2 534 965	\$
Less Interest Payable to Depositors (including Overdraft Interest)	1 797 532		2 519 055	
		130 711	15 910	
Interest from Treasurer of Victoria		15 000	88 000	
Insurance Commission		15 344	16 260	
Other		865	969	
		161 920	121 139	

	1977-78	1978-79
	\$	\$
<i>Expenditure*</i>		
Fees—Members of Trust	10 240	11 394
Printing and Stationery	2 870	4 649
Postage and Telephone	3 415	4 136
Contribution to Treasury	82 000	87 000
Provision for Doubtful Debts .. .. .	..	75 000
Sundry	4 597	393
	<hr/>	<hr/>
	103 122	183 572
	<hr/>	<hr/>
Operating Surplus (Deficit)	58 798	62 433

* 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 1978 and 1979.

	<i>Assets</i>			
	30.6.78	30.6.79		
	\$	\$	\$	\$
Current ordinary loans secured by first mortgage	26 190 232		24 930 744	
Less repayments by mortgagors	4 950 948		5 124 175	
		<hr/>	<hr/>	
		21 239 284		19 806 569
Current ordinary loans secured by second mortgage	7 379 384		11 892 894	
Less repayments by mortgagors	482 628		558 049	
		<hr/>	<hr/>	
		6 896 756		11 334 845
Repossessed properties sold under contracts of sale	65 570		48 300	
Less payments of instalments of principal	31 951		25 598	
		<hr/>	<hr/>	
		33 619		22 702
Arrears—(net) under mortgages and contracts of sale		13 371		80 072
Sundry Debtors		15 393		21 477
Office Equipment		3 291		2 798
Cash on fixed Deposit		840 000		1 296 709
Cash on hand		40		40
Investment		100 000		100 000
		<hr/>		<hr/>
		29 141 754		32 665 212
		<hr/>		<hr/>
<i>Liabilities</i>				
Deposits by lending institutions and accommodation by way of overdraft—repayment guaranteed by Treasurer of Victoria—balance of principal due		27 600 858		31 054 448
Pre-payments by mortgagors of valuation and inspection fees		872		617
Mortgagors' equities in properties repossessed and sold		9 276		9 221
Sundry Creditors		59 710		117 321
Accumulated Surplus—Home Finance Funds Nos. 1 and 2		1 471 038		1 483 605
		<hr/>		<hr/>
		29 141 754		32 665 212
		<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.

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 within the Fund a new pension scheme which provides for the payment of a pension benefit on retirement in addition to the lump sum benefit payable.

The annual audit of the Hospitals Superannuation Fund 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.

For the past two years, I have reported that the accounts for the current year were not available for audit. The 1978–79 accounts were unavailable at the date of preparation of this Report.

Details, for 1977–78, of the major Funds administered by the Board are as follows:

		<i>Approved Scheme</i>	<i>Provident Account</i>	<i>Supple- mentary Contributions</i>	<i>Pensions Scheme</i>	<i>Terminal Benefits Class "B" Institutions</i>
		\$	\$	\$	\$	\$
Balance 1 July		40 419 002	2 459 399	2 775 426	77 495	1 146 447
<i>Add—</i>						
Contributions		7 377 510	165 870	741 438	2 781 378	168 176
Matured Policies .. ..		..	14 241	..	..	..
Withdrawal Surplus		469 761	25 181	..	..	..
Distribution of Fund Income		5 119 103	276 528	353 044	137 200	135 261
		53 385 376	2 941 219	3 869 908	2 996 073	1 449 884
<i>Less—</i>						
Benefits		4 040 973	446 336	471 473	670 249	209 958
Withdrawal Surplus		498 828	..	..	..	..
Transfer to Non- contributing		390 725	19 072	25 428	..	..
Insurance Charge		423 349	..	..	..	..
Management Charge		335 486	6 635	40 780	186 102	..
		5 689 361	472 043	537 681	856 351	209 958
Balance 30 June		47 696 015	2 469 176	3 332 227	2 139 722	1 239 926

The Act provides for the operation of a Management Account within the Hospitals Superannuation Fund.

Summaries of the transactions of the Management Account during 1976-77 and 1977-78 and the Balance Sheets of the Board at 30 June 1977 and 30 June 1978 are given below:

MANAGEMENT ACCOUNT

Administration

1976-77		1977-78
\$		\$
	<i>Income—</i>	
450 920	Management Proportion of Contributions *	389 741
21 832	Commission	19 273
30 297	Distribution of Earnings	49 355
503 049		458 369
	<i>Expenditure—</i>	
297 892	Salaries and Wages	347 046
6 000	Provision for Long Service Leave	8 898
9 589	Staff Superannuation	10 820
112 107	Fees—Actuarial, audit, medical, etc.	126 061
68 028	Office and Miscellaneous Expenses	82 015
6 967	Depreciation	10 223
500 583		585 063
125 574	Less Pension Scheme proportion of Management Expenses ..	186 102
375 009		398 961
128 040	Transfer to Accumulated Fund	59 408
503 049		458 369
	Accumulated Fund	
183 460	Balance 1 July	307 151
128 040	Transfer from Administration	59 408
311 500		366 559
	<i>Less—</i>	
4 349	Contribution from the Accumulated Fund for the purchase of Capital Assets	7 277
307 151	Balance 30 June	359 282
	Management Reserve Account	
21 978	Balance 1 July	30 350
8 372	Transfer from Welfare Account	13 674
30 350	Balance 30 June	44 024

*The reduction in the item "Management Proportion of Contributions" reflects the first full year's reduction in the rate of contribution to the Approved Scheme.

Balance Sheet

30.6.77		30.6.78
\$		\$
	Contributors' Funds—	
	Members' Accounts—	
40 419 002	Approved Schemes	47 696 015
2 459 399	Provident	2 469 176
2 775 426	Supplementary Contributions	3 332 227
604 302	Non-contributing	738 703
46 258 129		54 236 121
	Other Funds—	
77 495	Pension Scheme	2 139 722
351 915	Insurance	228 501
8 698	Mortgage Indemnity	9 812
1 146 447	Terminal Benefits—Class "B" Institutions	1 239 926
307 151	Management Accumulated Fund	359 282
1 891 706		3 977 243
	Reserves—	
200 000	Welfare Reserve	200 000
741 438	Income Stabilisation Reserve	1 076 736
61 553	Management Capital Account	68 830
30 350	Management Reserve	44 024
10 601	Cancer Institute Scheme Welfare Reserve	11 958
1 043 942		1 401 548
49 193 777		59 614 912
	Represented by—	
	Fixed Assets—	
61 553	Furniture, Fittings, Equipment and Motor Vehicles (at cost)	68 830
20 219	<i>Less</i> Provision for Depreciation	28 789
41 334		40 041
	Investments—	
27 792 317	Life Assurance Companies' Schemes	33 405 124
7 654 844	Government and Semi-Government Stock (Face Value \$7 693 900)	7 690 867
13 166 280	Mortgage Loans	16 062 056
1 650 000	Deposits—Short Term Money Market	4 300 000
50 263 441		61 458 047
	Current Assets—	
232 420	Cash at Bank and on Hand	29 907
373 146	Sundry Debtors	241 185
230 455	Income Accrued	217 535
76 787	Benefits and Prepaid Expenses	2 663
912 808		491 290
51 217 583		61 989 378
	Less Current Liabilities—	
479 099	Bank Overdraft	56 839
11 344	Sundry Creditors and Accrued Expenses	45 746
269 952	Contributions Received in Advance	497 567
37 000	Provision for Long Service Leave	43 000
553 623	Benefits Payable	643 889
31 099	Part IVA Schemes	54 582
393 291	Deferred Benefits	455 559
204 095	Disability Benefits	531 281
44 303	Annuities	46 003
2 023 806		2 374 466
49 193 777		59 614 912

HOUSING COMMISSION

The Housing Commission was constituted under the provisions of the *Housing Act* 1958, and reconstituted during the year under review by the provisions of the *Housing (Amendment) Act* 1978, which came into operation on 24 January 1979.

The main functions of the Commission are the provision of houses for letting or selling to eligible persons, improvement of existing housing conditions, urban redevelopment and the development and sale of land for housing and related purposes.

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 1978-79, were advanced by the Commonwealth in terms of a series of Commonwealth-State Housing Agreements the last of which was the Commonwealth-State Housing Agreement 1978, which came into operation on 1 July 1978 for a 3 year period. 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 1978-79, loan advances totalling \$58 664 000 were received from the Commonwealth consisting of \$57 716 000 for housing generally under the 1978 Housing Agreement and the Commonwealth's *Housing Assistance Act* 1978, and \$948 000 for defence housing under the terms of the Commonwealth-State Housing Agreement (Servicemen) 1972.

In addition, the Commonwealth provided grants of \$943 250 as an interest subsidy, \$3 388 000 for dwellings for aged pensioners and \$230 000 for aboriginal housing under the *Aboriginal Advancement Act* 1973.

A summary of the Commission's revenue and expenditure for 1977-78 and 1978-79 is furnished below. The figures in respect of 1978-79 are subject to audit.

	1977-78	1978-79
REVENUE	\$	\$
Rentals	48 383 723	53 899 567
Gross Surplus—House Sales	15 978 404	11 664 648
Gross Profit—Land Sales for Residential Purposes	641 735	289 185
Interest—		
House Sales (net)	4 167 219	4 427 503
Sundry	3 524 181	2 363 851
Urban Renewal Subsidy	485 000	502 556
Certificate Fees	297 968	306 400
Miscellaneous	326 359	353 744
	73 804 589	73 807 454
EXPENDITURE		
Interest—less amounts capitalised and applied to House Sales	14 626 887	15 279 713
Loan Redemption—Commonwealth-State Agreements	2 987 864	3 257 317
	17 614 751	18 537 030
Less Interest and Redemption included in Operating Costs of Parking Bays and Hot Water Services	426 897	429 250
	17 187 854	18 107 780
Contribution to—		
National Debt Sinking Fund	24 535	15 771
Debenture Loan Sinking Fund	7 000	7 000

	1977-78		1978-79	
	\$	\$	\$	\$
Administration—				
General	4 649 439		5 146 476	
House Sales	2 301 761		1 974 943	
Land Sales—Residential	182 697		153 713	
Cost of Rent Collection in Country Areas etc.	385 455		410 934	
Rates—less amount capitalised	7 742 017		8 522 636	
Insurable Risks	299 664		325 546	
Loan Conversion Expenses	3 796		2 412	
Provision for—				
Accruing Maintenance	13 169 624		14 504 589	
Irrecoverable Rents	74 416		161 344	
Cost of Communal Services—Flats and Garden Maintenance	3 760 139		4 080 214	
Operating Costs—				
Laundries	193 267		363 827	
Parking Bays	319 774		338 582	
Appropriation to House Purchasers' Death Benefit Fund	443 246		431 851	
Transfer to House Sales Unrealised Profit Suspense Account	12 494 323		..	
Maintenance and Repairs on Houses Sold	668 758		637 781	
Maintenance (Rental) Bad Debts written off	58 033		98 955	
Central Heating and Hot Water Services	1 562 796		1 912 515	
Emerald Hill Survey	22 577		..	
Special Payments to Employees on Termination	1 549 581		53 907	
Consultants' fees and expenses—Reorganisation	128 460		..	
Land Enquiry Costs	195 659		..	
Miscellaneous	213 827		233 156	
	<u>67 638 698</u>		<u>57 483 932</u>	
Less Transfer from Land (Residential) Unrealised Profit Suspense Account	306 195		273 117	
Transfer from House Sales Unrealised Profit Suspense Account .. .. .	..		2 969 050	
	<u>67 332 503</u>		<u>54 241 765</u>	
Operational Profit for the Year	6 472 086		19 565 689	
Less Appropriation to House Purchasers' Interest Receivable Reserve	1 861 753		2 062 480	
Profit—transferred to Accumulated Surplus Account	4 610 333		17 503 209	

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

	1977-78		1978-79	
	\$	\$	\$	\$
Surplus—Miscellaneous Funds		*1 606 821		*2 149 273
Net Profit—Residential Lands Sales		935 808		551 084
Realised Profit—House Sales		2 519 960		14 143 800
Rental Operations .. .. .		..		847 662
Urban Renewal Operations .. .. .		..		57 028
Less		<u>5 062 589</u>		<u>17 748 847</u>
Loss—Rental operations	148 123		..	
Cost of Statutory Functions—non-revenue producing	249 636		245 638	
Loss—Urban Renewal operations	54 497	452 256	..	245 638
Profits—transferred to Accumulated Surplus Account	4 610 333		17 503 209	

* Includes notional interest on interest-free loans—1977-78 \$162 919, 1978-79 \$137 491.

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:

	1977-78		1978-79	
	\$	\$	\$	\$
Gross rental charges		55 367 284		64 921 802
<i>Deduct</i>				
Rental rebates allowed	5 620 809		9 777 951	
Losses from vacancies	1 362 752		1 244 285	
		<u>6 983 561</u>		<u>11 022 236</u>
Credit for Rentals—General Revenue Account		<u>48 383 723</u>		<u>53 899 566</u>

The increase of \$9 554 518 in gross rental charges was mainly due to a rent increase in the metropolitan area, effective from 15 July 1978.

Sales of Houses.—For the year, 1817 units costing \$42 866 264 were sold for a total sum of \$54 530 912, realising a total profit of \$11 664 648.

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	11 664 648	
<i>Add</i> Transfer from House Sales Unrealised Profit Suspense Account	2 969 050	
		<u>14 633 698</u>
Interest receivable on Terms Sales	19 962 070	
<i>Less</i> Interest payable on houses sold	15 894 319	
		<u>3 635 900</u>
Interest on House Sales (net)	4 067 751	
<i>Less</i> Appropriation to House Purchasers' Death Benefit Fund	431 851	
		<u>566 700</u>
Other House Sales revenue		<u>18 836 298</u>
<i>Less</i> Administration—House Sales	1 974 943	
Maintenance and repairs on houses sold	637 781	
Miscellaneous	17 294	
		<u>2 630 018</u>
		<u>16 206 280</u>
<i>Less</i> Appropriation to Interest Receivable Reserve—House Purchasers		<u>2 062 480</u>
Net Credit to General Revenue—Realised Profit on House Sales		<u>14 143 800</u>

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 \$551 084 compared with \$935 808 for 1977-78.

The financial position of the Commission at 30 June 1978 and 1979 is summarised hereunder:

30.6.78		30.6.79
\$		\$
	<i>Current Assets—</i>	
12 697 216	Sundry Debtors	11 667 497
2 197 127	Cash at Bank and in Transit	3 262 609
<hr/>		<hr/>
14 894 343		14 930 106
<hr/>		<hr/>
27 250 276	<i>Investments</i>	31 463 644
<hr/>		<hr/>
	<i>Deferred Assets—</i>	
386 930 894	House Purchase Debtors	421 551 340
<hr/>		<hr/>
	<i>Fixed Assets—</i>	
142 621 954	Estates—Cost of land, developmental and incidental expenses	156 031 988
435 998 622	Dwellings and Shops	463 136 126
2 203 869	Holmesglen Constructions—Land and Buildings etc.	1 887 967
387 851	Urban Renewal—Properties Acquired	388 553
25 313 645	Properties Acquired for Slum Reclamation	23 908 838
2 263 268	Store-rooms, Offices etc.	3 331 295
2 610 462	Plant, Vehicles, Office Furniture and Equipment	2 543 801
400	Shares—31 Melrose Street Pty. Ltd.	400
<hr/>		<hr/>
611 400 071		651 228 968
<hr/>		<hr/>
20 778 842	<i>Urban Land Council Land purchased for resale (at cost)</i>	21 489 901
<hr/>		<hr/>
..	<i>Home Purchase Assistance Suspense Account</i>	178 972
<hr/>		<hr/>
1 932 567	<i>Deposit and Trust Account—Cash at Bank and Securities</i>	1 418 561
<hr/>		<hr/>
	<i>Intangibles—</i>	
838 796	Plans and Designs etc.	654 505
<hr/>		<hr/>
1 064 025 789		1 142 915 997
<hr/>		<hr/>
	<i>Current Liabilities—</i>	
3 408 934	Sundry Creditors	3 613 726
<hr/>		<hr/>
	<i>Loans—</i>	
826 646 801	Government advances	880 527 571
400 000	Debenture issues	1 400 000
7 387 913	Death Benefit Fund advances	7 387 913
<hr/>		<hr/>
834 434 714		889 315 484
<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
16 620 000	Commonwealth Grant—Dwellings for Aged Pensioners	20 008 000
464 022	Advance for Urban Renewal	535 466
5 796 963	Advance for Aboriginal Housing	6 050 794
<hr/>		<hr/>
27 156 513		30 869 788
<hr/>		<hr/>
	<i>Reserves and Sinking Funds etc.—</i>	
1 223 060	Interest Equalisation Reserve	1 446 426
100 000	Debenture Loans Redemption	100 000

30.6.78	30.6.79
\$	\$
1 767 505	Cancelled Securities—National Debt Sinking Fund 1 961 426
254 993	Debenture Loan Sinking Fund 282 633
33 032 477	Loan Redemption—Commonwealth—State Agreements 35 249 404
141 909	Accruing Maintenance Provision
100 000	Irrecoverable Rents Provision 100 000
69 180 323	Unrealized Profit Suspense Account—House Sales 65 746 689
1 452 594	Unrealized Profit Suspense Accounts—Land and Shops 839 879
15 070 492	House Purchasers' Death Benefit Fund 14 835 564
9 115 481	Realized Profit Reserves 9 306 776
25 550 931	Interest Receivable Reserve—House Purchasers 29 802 842
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/>
159 694 765	162 376 639
<hr/>	<hr/>
37 398 296	<i>Accumulated Surplus</i> 55 321 799
<hr/>	<hr/>
	<i>Deposit and Trust Account—</i>
1 932 567	Contractors' deposits and other trust moneys 1 418 561
<hr/>	<hr/>
1 064 025 789	1 142 915 997
<hr/>	<hr/>

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

Sundry Debtors, \$11 667 497. Details are:

	\$
Rental Arrears	2 089 826
Tenants' Maintenance Arrears	389 251
Works and Materials etc., for other bodies and adjoining owners etc.	2 653 850
Debtors on account of Shop and Land Sales (net)	5 348 375
Revenue Accruals, Prepayments and Advances etc.	1 186 195
	<hr/>
	11 667 497
	<hr/>

Investments—The book value of investments increased during the year from \$27 250 276 to 31 463 464. Relevant details at 30 June 1979 are:

	\$
Interest-free advances—to other Public Authorities	2 643 588
Loan to a Public Authority	965 344
Investments—Sinking Fund	*282 634
Investments—Death Benefit Fund	†14 572 078
Short Term Investments	‡13 000 000
	<hr/>
	31 463 644
	<hr/>

* Consisting of Inscribed Stock.

† Consisting of Investments in Public Authorities \$7 184 165 and invested in the Commission's undertaking \$7 387 913 (See reference to Death Benefit Fund on page 50 of this Report.)

‡ Consisting of Short Term Bank Deposits.

Holmesglen Constructions—This organisation operates mainly as a concrete construction factory and a building arm of the Commission. Included in the amounts \$2 203 869 and \$1 887 967 at 30 June 1978 and 1979 are the sums \$1 340 626 and \$948 803, representing what are in effect, the notional liabilities, at the respective dates, of Holmesglen Constructions to the Commission. The decrease 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 1978							1 340 626
<i>Add</i>	Increase in book value of Equipment, Plant, Tools etc.						308 784
							<u>1 649 410</u>
<i>Less</i>	Decrease in Current Assets						41 476
	Increase in Current Liabilities						500 097
	Increase in Reserves						159 034
							<u>700 607</u>
							<u>948 803</u>

Holmesglen Constructions was charged notional interest at the rate of 4 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 1978-9 furnished in this Report, the credit for the interest is included in the item, "Interest—Sundry", and the charge therefor is reflected in the cost of the prefabricated units constructed at Holmesglen.

For many years, Holmesglen Constructions has been submitting tenders for Housing Commission building projects. These tenders have been based on estimates of costs using Holmesglen Constructions produced building components. On completion of the contracts relating to those tenders accepted by the Commission, final costs are calculated and recorded by the Commission from information supplied by Holmesglen Constructions.

A check of the 47 building contracts for the Commission finalised during 1978–79, and which had been accepted on estimated costs aggregating \$22 742 073, revealed that the final completion costs totalled \$31 451 158, an average increase of 38·3 per cent. with some of the estimates being exceeded by as much as 81 per cent.

A selective check of current contracts for which final costs have not yet been established, showed that certain tenders had been accepted by the Commission, although they had not been recommended by the Commission’s Principal Architect because he considered that they were too high.

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 1977–78 and 1978–79 are:

	1977–78		1978–79	
	\$	%	\$	%
Interest	4 266 897	12·18	4 904 814	13·43
Rates	939 519	10·82	1 103 024	11·45
Administration.. .. .	6 345 086	41·55	6 700 774	41·43
	<u>11 551 502</u>		<u>12 708 612</u>	

“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.

Loan Liability—As mentioned earlier, \$58 664 000 was provided by the Commonwealth during the year by way of loan advances, and in addition \$1 000 000 was borrowed by way of debenture loan under Section 76 of the *Housing Act 1958*. At 30 June 1979, the liability in respect of loans was \$889 315 484. Details are:

	\$	\$
STATE HOUSING		
From the Government of Victoria		
Housing	54 153 473	
Slum Reclamation	26 009 274	
From Debenture issues of the Commission	2 040 000	
	<hr/>	
	82 202 747	
Government Loan transferred to the Commission	60 000	
	<hr/>	82 262 747
<i>Less</i>		
Securities purchased out of National Debt Sinking Fund and cancelled	3 944 618	
Debentures redeemed under Housing Act	640 000	
Repayments on Slum Reclamation	8 344 365	
	<hr/>	12 928 983
		<hr/>
		69 333 764
COMMONWEALTH-STATE HOUSING AGREEMENT		
Loan Advances received from the Commonwealth of Australia ..	913 806 439	
Less Repayments	101 212 632	
	<hr/>	812 593 807
HOUSE PURCHASERS' DEATH BENEFIT FUND		
Loan to Commission		7 387 913
		<hr/>
		889 315 484
		<hr/>

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 1978–79, \$3 388 000 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 1979, \$20 008 000 has been spent on this project.

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

	\$	\$
Balance at credit 1 July 1978		69 180 323
Less Transfer to General Revenue Account	2 969 049	
Sundry adjustments arising from cancellation of sales reduction of sale prices, changes in capital costs etc.	464 585	3 433 634
	<hr/>	<hr/>
Balance at credit 30 June 1979		65 746 689
		<hr/>

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 1979 are summarised below:

	\$	\$
Balance at 1 July 1978		15 070 492
<i>Add—</i>		
Appropriation for year (Section 109 Housing Act 1958) ..	431 851	
Income from Investments	1 113 081	
	<hr/>	1 544 932
		<hr/>
		16 615 424
<i>Deduct—</i>		
Payments on Account of Deceased Purchasers	1 712 383	
Administration Expenses	67 477	
	<hr/>	1 779 860
		<hr/>
Balance at 30 June 1979		14 835 564

The sum of the investments of the Fund, \$14 572 078, 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 \$31 463 644".

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—\$9 306 776.—This balance comprises profit on land, \$9 160 265, and on shops, \$146 511. During the year there was an increase of \$191 295 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, church institutions, municipalities for reserves and to the Education Department for school sites.

Interest Receivable Reserve—House Purchasers, \$29 802 842.—The 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 the 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 1978.. .. .		25 550 931
<i>Add—</i>		
Appropriation House Sales Trading Account	2 062 480	
Interest received—Rental Revenue Account	2 189 431	
	<hr/>	4 251 911
Balance at credit 30 June 1979		<hr/> <hr/> 29 802 842

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, \$55 321 799.—The variations in this account during the year are shown below:

	\$	\$
Balance—1 July 1978		37 398 296
<i>Add—</i>		
Surplus—House Purchase Assistance	304 060	
Amount written back to Revenue from Loan Redemption Reserve	658 571	
Credit Balance, General Revenue Account	17 503 209	
	<hr/>	18 465 840
		<hr/> 55 864 136
<i>Less</i> Net Adjustment of Realised Profit of former years due to capital cost variations and cancellation of sales contracts, etc.	90 613	
Deficit—Urban Land Council	451 724	542 337
	<hr/>	<hr/> 55 321 799
Balance—30 June 1979		<hr/> <hr/> 55 321 799

Urban Land Council

The Urban Land Council is a non-statutory body consisting of five members representing the Ministries for Planning, Housing and Conservation, the Department of the Premier and the Commonwealth.

The overall responsibility for the activities of the Council rests with the Ministerial Council which is comprised of the Ministers for Planning, Housing and Conservation.

The Council is staffed by an Executive Officer and a Co-ordinator who are employed by the Ministry for Planning. The Housing Commission of Victoria provides services in relation to project management, accounts, conveyancing and administration.

The functions of the Council are to purchase, plan, develop and dispose of land in growth areas and in other areas of Victoria identified by State planning policies for urban development.

To 30 June 1979, \$23 668 705 has been advanced under the Commonwealth's *Urban and Regional Development (Financial Assistance) Act 1974* and a subsequent Commonwealth-State Agreement made under the Act. These funds were in respect of expenditure on programs approved by the Commonwealth in accordance with the Act and the Agreement.

The repayment of these advances is not due to commence until 1 June 1985. Interest outstanding is capitalised each year and is treated as an additional loan by the Commonwealth. The amount of interest capitalised at 30 June 1979, was \$8 440 988 making the total amount repayable \$32 109 693.

The Urban Land Council's accounts are incorporated in those of the Housing Commission and the financial position at 30 June 1979 is summarised as follows:

	\$	\$
ASSETS		
Land at Cost	36 098 879	
Less estimated cost of land sold	14 608 978	
	<hr/>	21 489 901
Cash on hand—Housing Commission, Victoria		7 951 847
Sundry Debtors—Land Purchasers		2 226 395
Advances—State Electricity Commission		965 344
Interest Accrued		43 726
		<hr/>
		32 677 213
LIABILITIES		
Loan Advances		32 109 693
Accruals—Deferred Interest on Loans		131 312
Miscellaneous		10 354
Accumulated Surplus Account		425 854
		<hr/>
		32 677 213

In a Supreme Court action by a land development company against the Housing Commission and the Keilor City Council to prevent the Commission from developing certain land, the Court, in a judgment given on 1 March 1979, held that because the Housing Commission's purchase and proposed development of the site in question had not been for the purpose of the *Housing Act* 1958, but for the purpose of approved programs under the Commonwealth's *Urban and Regional Development (Assistance) Act* 1974, the Commission was acting beyond its powers. In addition, an opinion has been obtained from the Crown Solicitor that the Commission has no power to sell land on behalf of the Urban Land Council.

Emerald Hill

Under a Commonwealth-State Agreement made on 6 May 1974, pursuant to the provisions of the Commonwealth's *Land Commissions (Financial Assistance) Act* 1973, the Commonwealth advanced \$3 500 000 by way of loan to the Housing Commission for the purpose of purchasing the estate known as Emerald Hill, South Melbourne, in order to preserve or rehabilitate the existing buildings on the estate, or redevelop where appropriate.

Under the terms of the Agreement, the loan is repayable over a period of 30 years commencing on 15 June 1979. The interest due to date has been capitalised and added to the amount of the loan, making a total amount of \$5 135 455 due before the first repayment.

At 30 June 1979, a deficit of \$934 105 had been accumulated in the running account mainly because rental charges have been insufficient to cover interest charges and other expenses.

Goonawarra (Sunbury) Project

As mentioned in my previous Supplementary Report, the Commission employs Development Management Services Pty. Ltd., for the purposes of developing the above estate. The company is deemed to be fully employed on the project and has entered into a long-term contractual arrangement with the Commission under a sealed agreement.

At 30 June 1979, the Commission had spent \$9 187 717 on the estate, of which \$4 927 842 was for land and \$4 259 875 for development.

An amount of \$3 470 197 was spent developing the estate in the financial year 1978-79.

TBS Items (i.e. Items to be supplied)

As mentioned in my previous Supplementary Report, certain weaknesses of internal control were found in the system.

The Commission engaged the services of a firm of management consultants to review the system. A report prepared by the consultants found the concept of the TBS system sound and offering significant buying advantages. Certain recommendations of the report concerning internal controls have been implemented by the Commission.

Electronic Data Processing

(i) New Computer

The Commission updated its computer facilities in May 1978 by replacing its existing computer with one having a larger capacity at a cost of \$1 150 758. In addition, maintenance charges of \$130 104 and rental charges totalling \$29 784 were paid by the Commission in the financial year 1978-79. At present, the new computer is still operating in an emulation mode, i.e. an interim measure which allows programs written for the earlier computer to be converted to run on the current machine.

However, in order to achieve optimum use of the processing capabilities of the new equipment, it will be necessary for the Commission to discontinue emulation and to rewrite programs using the current version of languages provided by the manufacturers of the equipment.

(ii) Housing Applications Information System

The above on-line system was developed to supersede the manual system and to provide rapid retrieval of information in the form of statistics on housing applicants.

The cost of developing the system by outside consultants amounted to \$262 342 to 30 June 1979. This amount does not include costs of time spent on the project by the Housing Commission staff.

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 1979 for expenditure on capital works amounted to \$19 993 494. A further \$3 950 000 has been raised from private loans, including \$1 000 000 during 1978-79.

During the year, the Board, as agent of the Environment Protection Authority, incurred operating expenditure of \$538 194 and capital expenditure of \$14 212. This expenditure was recouped from the Authority.

Fees for Environment Protection Authority licences issued by the Board, \$6 209, were remitted to the Treasury.

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

DISPOSAL AREA REVENUE ACCOUNT		1977-78	1978-79
\$		\$	\$
INCOME			
6 258	Rental Board Properties	6 162	
6 049	Sundry	4 613	
35 517	Profit—Cattle Trading Account	109 404	
63 064	Profit—Sheep Trading Account	88 074	
<u>110 888</u>			<u>208 253</u>
EXPENDITURE			
246 877	Farm Operation and Maintenance	265 661	
131 825	Interest on Loans and on Overdraft	137 223	
10 590	Administrative and Sundry Expenses	15 816	
4 347	Maintenance Farm Dwellings	5 982	
20 472	Provision for Depreciation	20 391	
<u>414 111</u>			<u>445 073</u>
<u>303 223</u>	Deficit transferred to General Revenue Account		<u>236 820</u>
GENERAL REVENUE ACCOUNT			
\$		\$	\$
INCOME			
1 369 767	Water Charges	1 420 943	
680 385	Disposal Charges	825 202	
492 459	Recoups from Environment Protection Authority	552 406	
13 378	Licence Fees	6 209	
79 198	Recoups on Capital Works	259 174	
40 064	Works other Authorities	120 988	
95 555	Interest Subsidy—Treasurer of Victoria	116 692	
14 144	Other	168 867	
<u>2 784 950</u>			<u>3 470 481</u>
EXPENDITURE			
576 626	Interest on Loans	657 590	
93 091	Depreciation	101 152	
461 790	Maintenance and operation of works	780 791	
Overhead Services—			
126 415	Administration	145 439	
137 293	Engineering	86 148	
70 346	Hydrography	69 976	

1977-78		1978-79	
\$		\$	\$
117 934	Depot and Workshops	142 252	
110 674	Laboratory	185 785	
51 792	Works other Authorities	101 833	
5 763	Other	2 407	
			733 840
492 459	Environment Protection		552 406
13 378	State Treasury Licence Fees		6 209
<u>2 257 561</u>			<u>2 831 988</u>
527 389	Surplus for Year		638 493
303 223	Deficit on Disposal Area Revenue Account		236 820
<u>224 166</u>	Net Surplus for Year		<u>401 673</u>

The Board's balances at 30 June 1978 and 1979, are summarised hereunder:

30.6.78		30.6.79	
\$		\$	\$
CURRENT ASSETS			
10 215	Cash at Bank	89 528	
9 220	Stores, Tools, etc.	11 317	
128 942	Livestock, Wool and Ensilage on Hand	127 202	
354 500	Debtors and Prepayments, etc.	1 977 972	
			2 206 019
3 973 167	Investments		*3 595 463
FIXED ASSETS (AT COST)			
20 366 310	Works (including Works in Progress)	24 170 953	
573 196	Plant and Equipment	679 021	
521 550	Land, Buildings, Residences	591 991	
101 305	Office and Laboratory Equipment	158 729	
312 588	Environment Protection—Land, Buildings, Equipment, etc.	317 566	
			25 918 260
<u>21 874 949</u>			<u>3 568 136</u>
3 141 314	Less Depreciation		
<u>18 733 635</u>			<u>22 350 124</u>
INTANGIBLES			
523 709	Interest on Works during Construction		523 709
<u>23 733 388</u>			<u>28 675 315</u>
CURRENT LIABILITIES			
215 926	Bank Overdraft	474 563	
140 842	Sundry Creditors	167 905	
..	Advance—Saline Waste Project	500 000	
..	Unexpended Flood Grant	109 780	
			1 252 248
LOAN LIABILITY			
16 736 063	State of Victoria	16 593 934	
2 866 287	Private Mortgage Loans	6 175 295	
			<u>22 769 229</u>

* Consisting of Inscribed Stock \$1 698 700, Mortgage Loans \$1 195 000, Short Term Deposits \$90 751 and other \$611 012.

30·6·78

\$

30·6·79

\$

\$

EXCESS OF ASSETS OVER LIABILITIES

Represented by—

175 226	Long Service Leave Provision	276 978
10 000	Staff Training Provision	17 800
155 001	Capital Expenditure Borne by State	155 001
355 000	Grants by Government of Victoria	655 000
598 220	Appropriation for Plant Renewals, etc.	632 298
1 723 438	Loans Redeemed Reserve	1 918 318
136 000	Capital Facility Reserve	136 000
74 800	Plantation Reserve	91 800
15 000	Water Re-Use Study at Dutson Reserve	15 000
9 636	Loan Sinking Fund Reserve	24 827
..	Farm Trading Equalisation Reserve	50 000
312 587	Grant and Contributions for Environment Protection	
	Agency Assets	317 566
209 362	Accumulated Surplus	363 250
		<hr/>
		4 653 838
<hr/>		
23 733 388		<hr/>
		28 675 315
		<hr/>

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 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.

The accounts for the year ended 28 February 1978 were not available for audit until May 1979, and were, therefore, not available for inclusion in last year's Report. The accounts for the year ended 28 February 1979 are not available for inclusion in this Report.

This is now the fourth successive year in which the accounts for the year under review have not been available, and I again stress that the position is considered to be most unsatisfactory.

MANAGEMENT ACCOUNT

	1976-77	1977-78
	\$	\$
INCOME		
Interest on Investments	29 983	30 138
Contribution to Administration—		
From Benefit Contracts Account and Disability Fund ..	1 404 047	1 677 628
From Local Authorities (Pensions) Authorities Fund ..	141 050	156 000
Rent	21 046	24 336
Computer Bureau Fees	1 125 707	1 487 383
	<hr/>	<hr/>
	2 721 833	3 375 485
EXPENDITURE		
Board Members' Fees	2 985	3 798
Salaries	880 786	1 224 505
Hire of Computer and other Office Machines	328 807	382 583
Medical Examination Fees	59 624	65 358
Printing and Stationery	77 732	51 870
Postage and Telephone	48 079	52 294
Superannuation	50 304	76 652
Other Administration Charges	218 455	272 904
Rates etc.	35 506	32 439
Depreciation	37 932	49 970
	<hr/>	<hr/>
	1 740 210	2 212 373
Surplus	<hr/>	<hr/>
	981 623	1 163 112

As at 28 February 1977 and 1978, accumulated funds of the Management Account were:

	1977	1978
	\$	\$
Accumulated Funds	3 059 760	4 131 449
Asset Replacement Reserve	271 066	320 121
	<hr/>	<hr/>
	3 330 826	4 451 570
Represented by—		
Investments	49 652	262 528
Freehold Property (at cost less depreciation)	1 232 409	1 243 242
Furniture, Equipment and Office Machines (at cost less depreciation) ..	132 597	119 999
Motor Vehicles (at cost less depreciation)	34 093	25 303
	<hr/>	<hr/>
	1 448 751	1 651 072
Add Net Current Assets	1 882 075	2 800 498
	<hr/>	<hr/>
	3 330 826	4 451 570

INSURANCE ACCOUNT

Balance 1 March	10	3 307
RECEIPTS		
Surrender Values	3 502	11 248
Death Claims	4 332	5 024
Matured Policies	12 349	20 864
Other .. .. .	..	40
	<hr/>	<hr/>
	20 193	40 483

	1976-77	1977-78
	\$	\$
PAYMENTS		
Death Claims	4 332	5 024
Matured Policies	9 054	20 328
Surrender Values	3 501	13 464
Balance at end of year	3 306	1 667
	20 193	40 483

PROVIDENT FUND

	1976-77	1977-78
	\$	\$
Balance 1 March	43 794	80 221
RECEIPTS		
Interest on Investments	159 493	131 715
Investments Redeemed	181 188	183 005
Transfer Withdrawals—Disability Beneficiaries	21 858	30 491
	406 333	425 432
PAYMENTS		
Death Claims	14 033	14 368
Resignations and Retirements	306 164	230 760
Additional Interest	5 915	4 934
Balance at end of year	80 221	175 370
	406 333	425 432

The position of the Provident Fund at 28 February 1977 and 1978 was:

	1977	1978
	\$	\$
Contributors' Credits	1 951 395	1 832 054
Unallotted Interest	218 157	215 999
Sundry Creditors	73 282	108 712
	2 242 834	2 156 765
Represented by—		
Cash	80 221	175 370
Investments	2 113 684	*1 933 412
Accrued Interest	48 929	47 983
	2 242 834	2 156 765

* Consisting of Local Government \$1 615 912, Semi-government \$263 500 and Short-term \$54 000

BENEFIT CONTRACTS ACCOUNT AND DISABILITY FUND ACCOUNT

	1976-77	1977-78
	\$	\$
INCOME		
Contract Premiums	17 557 006	19 721 556
Interest on Investments	6 006 713	8 377 936
Withdrawal Benefits—Disability Beneficiaries	21 858	30 918
	23 585 577	28 130 410

	1976-77	1977-78
	\$	\$
EXPENDITURE		
Death Benefits	1 292 319	1 034 974
Withdrawal Benefits	3 811 873	4 151 023
Retirement Benefits	1 564 002	1 791 061
Contribution to Administration	1 404 047	1 677 628
Other	11 967	2 488 086
Disability Benefits	1 525 722	172 979
	<u>9 609 930</u>	<u>11 315 751</u>
Surplus	<u>13 975 647</u>	<u>16 814 659</u>

As at 28 February 1977 and 1978, the funds of the Benefit Contracts Account amounted to \$77 154 189 and \$93 968 848 respectively, and were represented by:

	1977	1978
	\$	\$
Investments	72 334 453	*89 948 871
Less Mortgage Reserve Account	57 517	83 127
	<u>72 276 936</u>	<u>89 865 744</u>
Add Net Current Assets	4 877 253	4 103 104
	<u>77 154 189</u>	<u>93 968 848</u>

* Consisting of Local Government \$49 003 078, Semi-government \$19 200 680, Mortgages \$13 138 250 and Property \$8 606 863.

LOCAL AUTHORITIES (PENSIONS) AUTHORITIES FUND ACCOUNT

	1976-77	1977-78
	\$	\$
INCOME		
Contributions	1 462 797	1 664 247
Investment Income	95 471	162 376
	<u>1 558 268</u>	<u>1 826 623</u>
EXPENDITURE		
Withdrawals—Refund Contributions	72 052	82 307
Transfer to Pension Fund	340 846	1 100 037
Contribution to Administration	141 050	156 000
Contribution Refunds—Miscellaneous .. .. .	..	1 134
	<u>553 948</u>	<u>1 339 478</u>
Surplus	<u>1 004 320</u>	<u>487 145</u>

The position of the Fund at 28 February 1977 and 1978 was:

	1977	1978
	\$	\$
Cash	50 321	9 536
Debtors	99 394	112 607
Investments	1 190 000	*1 860 000
	<u>1 339 715</u>	<u>1 982 143</u>
Less Creditors	162 101	317 384
Accumulated Funds	<u>1 177 614</u>	<u>1 664 759</u>

*Consisting of Interest Bearing Deposits \$1 120 000 and Short-term Money Market \$740 000

LOCAL AUTHORITIES (PENSIONS) EMPLOYEES FUND ACCOUNT

	1976-77	1977-78
	\$	\$
INCOME		
Contributions	4 479 051	5 047 627
Investment Income	324 982	677 314
	<hr/>	<hr/>
	4 804 033	5 724 941
EXPENDITURE		
Withdrawals—Refund of Contributions	438 360	713 707
Retirements—Transfer of Contributions	52 401	150 296
Disabilities—Transfer of Contributions	14 662	62 208
Deaths—Transfer of Contributions	10 896	25 946
Contribution Refunds—Miscellaneous .. .. .	..	6 362
	<hr/>	<hr/>
	516 319	958 519
Surplus	<hr/>	<hr/>
	4 287 714	4 766 422

The position of the Fund at 28 February 1977 and 1978 was:

	1977	1978
	\$	\$
Cash	9 377	245 491
Investments	4 634 706	*9 464 869
Debtors' Contributions	87 586	61 704
Sundry Debtors	242 574	195 456
	<hr/>	<hr/>
	4 974 243	9 967 520
Less Creditors	118 153	345 008
Accumulated Funds	<hr/>	<hr/>
	4 856 090	9 622 512

* Consisting of Local Government \$7 524 869, Short-term Money Market \$1 240 000 and Interest Bearing Deposits \$700 000

The Local Authorities Superannuation Board provides, at the State Superannuation Board's Office, service bureau facilities to the State Superannuation Board, the Motor Accidents Board, the Melbourne and Metropolitan Fire Brigades Superannuation Board and the Government Actuary.

An audit review of the operations of the bureau was carried out in 1979. The review indicated that the contractual arrangements with the Users and a Consultant were unsatisfactory and that steps should be taken to formalise these arrangements.

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 5 Boards, namely, the Chicory, Citrus Fruit, Egg, Onion, and Tobacco Leaf Marketing Boards follow.

Chicory Marketing Board

Pursuant to the provisions of the *Marketing of Primary Products Act* 1958, the Manager of the Board was appointed liquidator by the Governor in Council on 20 June 1978 for the purpose of winding up the affairs of the Board. The liquidation has not yet been completed.

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 date at which the accounts of the Board are balanced has been altered from 31 March to 31 December, to effect a common balance date for the Board and associated organisations.

A summarised statement of the operations of the Board for the 9-month period ended 31 December 1978, together with the figures for the year ended 31 March 1978, are set out hereunder:

1977-78		1.4.1978 to 31.12.1978
\$		\$ \$
	<i>Income</i>	
48 535	Service Fees	46 473
	<i>Expenditure</i>	
16 135	Board Members' Fees and Allowances	12 176
10 000	Administration Charge paid to Citrus Management Co. Ltd. .. .. .	.. .. .
20 486	Salaries	7 500
2 830	Amortisation of Establishment Expenses	2 833
4 631	Postage, Telephone and Telex	3 658
1 811	Motor Vehicle Expenses	1 500
4 370	Bank Interest and Charges	1 187
347	Rent	1 540
5 046	General Expenses	2 866
65 656		33 260
(17 121)	(Deficit)/Surplus for the period	13 213

The accumulated deficit of the Board at 31 March 1978, \$30 621, was reduced by the operating surplus for the period ended 31 December 1978, \$13 213, resulting in an accumulated deficit of \$17 408 at 31 December 1978. These accumulated deficits at 31 March and 31 December 1978 were represented as follows:

31.3.1978		31.12.1978	
\$		\$	\$
	<i>Liabilities—</i>		
49 868	Bank Overdraft	20 109	
4 708	Creditors	1 825	
54 576		21 934	
	<i>Less Assets—</i>		
18 292	Debtor—Citrus Management Co. Ltd. (net)	1 696	
5 663	Establishment Costs (net)	2 830	
23 955		4526	
30 621		17 408	

The agreements whereby the Board, together with the Murray Valley (N.S.W.) Citrus Marketing Board, 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., which is a wholly-owned subsidiary of Citrus Management Co. Ltd., for amounts up to \$200 000 each are still current.

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 report 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.

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.

Finalisation of the winding-up has been delayed 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.

Tobacco Leaf Marketing Board

A summary of the financial operations for the accounting periods ended 31 March 1978 and 1979 is set out hereunder:

1977-78		1978-79
\$		\$
20 134 888	Gross proceeds from sales of tobacco leaf	21 085 743
	Applied to	
377 529	Broker's Commission	395 357
101 866	Freight	113 125
28 091	Rehandling Charges	21 407
65 231	Commonwealth Tax Levy	65 158
373 678	Insurance	359 553
300 611	Marketing Board Charge	315 163
1 384	Other Expenses .. .. .	.. .. .
2 399 534	Growers' Liens, Orders etc.	2 592 273
16 486 964	Net Proceeds to Growers	17 223 707
<u>20 134 888</u>		<u>21 085 743</u>

The Board's charge of \$315 163 against the sales proceeds for 1978-79, together with other revenue amounting to \$74 278 was expended as shown hereunder. The comparable figures for 1977-78 are also shown.

1977-78		1978-79
\$		\$
100 172	Board staff—salaries, superannuation, long service leave	116 162
18 341	Travelling expenses—other than Board members	28 265
36 396	Board members—allowances, travel and air fares	40 005
17 598	Expenses of Tobacco Quota Committee and Tobacco Quota Appeals Tribunal	17 163
22 108	Appraisers' fees and allowances	23 865
22 789	Depreciation	39 419
31 131	Industry surveys	38 102
20 558	Harvester trials .. .. .	.. .. .
55 902	General and Administrative Expenses	57 254
43 874	Surplus	29 206
<u>368 869</u>		<u>389 441</u>

The Board's balances are summarised hereunder:

31.3.1978		31.3.1979
\$		\$
	ASSETS	
133 331	Cash at Bank and on Hand (net)	36 604
570 000	Loan to Tobacco Industry Leaf Finance Agency	1 050 000
250 000	Loan to Quota Advance Payment Agency	250 000
6 285	Advances	14 918
14 458	Sundry Debtors	24 579
100 000	Loan to Insurance Company .. .. .	.. .. .
18 720	Long Service Leave Fund	27 921
79 853	Motor Vehicles and Plant (Cost less depreciation)	28 569
104 767	Land and Buildings	104 767
7 379	Sundry	11 207
<u>1 284 793</u>		<u>1 548 565</u>
	LIABILITIES	
3 680	Sundry Creditors	1 800
39 196	Insurance Equalization	16 885
24 241	Provision for Long Service Leave	27 921
479 699	Funds accumulated in respect of Jervis leaf sold	734 776
694 103	Growers' Funds Brought Forward	737 977
43 874	Add Surplus for year	29 206
<u>737 977</u>		<u>767 183</u>
<u>1 284 793</u>		<u>1 548 565</u>

The Victorian Egg Marketing Board

The Victorian Egg Marketing Board administers the marketing of eggs and egg products in Victoria. It operates grading floors in the Melbourne metropolitan area 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 \$2 733 253 (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 1978-79 pool period.

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

1977-78		1978-79
\$		\$
43 646 631*	Gross Sales	45 607 905*
2 614 226†	Reimbursement—Poultry Industry Trust Fund ..	2 529 659†
46 260 857		48 137 564
	<i>Less Cost of Sales—</i>	
36 795 603	Net Payments to Producers	37 559 276
..	Flock Reduction Compensation	138 546
7 266 489	Receiving, Grading, Packaging, Manufacturing and Associated Costs	7 324 815
44 062 092		45 022 637
503 265	<i>Less Increase in Stock on Hand</i>	160 125
43 558 827		44 862 512
2 702 030	Gross Operating Surplus	3 275 052
1 374 068	<i>Less Selling and Marketing Expenses</i>	2 039 239
1 089 100	Administrative Expenses	1 048 120
2 463 168		3 087 359
238 862	Net Operating Surplus	187 693
	<i>Non-operating—</i>	
59 478	Income	25 420
74 954	Expenses	178 955
(15 476)		(153 535)
223 386	Net Pool Surplus	34 158
223 362	Accumulated Surplus brought forward	292 261
15 806‡	Adjustments applicable to Pool Accounts (net) —	
160 163	Current Pool	64 312
	Past Pools	
399 331		356 573
622 717		390 731
330 456	<i>Less Transfers to Reserve Fund</i>	203 598
292 261	Accumulated Surplus at close of Pool Period ..	187 133

* 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:

1.7.78		30.6.79
\$		\$
2 309 147	Reserve Fund	2 548 491
468 131	Surplus Distribution 1947-48 (ex Commonwealth)	468 131
292 261	Accumulated Surplus—	187 133
<u>3 069 539</u>		<u>3 203 755</u>

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

1.7.78		30.6.79
\$		\$
	Current Assets—	
1 153	Cash on Hand and at Bank	923
500 000	Short Term Deposit	1 472
108 370	Claim on Poultry Industry Trust Fund	410 250
	Stock on Hand—	
1 023 724	Eggs and Egg Products (at valuation)	1 183 849
306 769	Packing materials (at cost)	279 279
49 183	Supplies (at cost)	18 530
<u>1 379 676</u>		<u>1 481 658</u>
	Debtors—	
1 565 603*	Trade and other	*1 582 360
690 055†	Australian Egg Board	† 347 345
		<u>1 929 705</u>
2 255 658		30 000
30 000	Less Provision for Doubtful Debts	
<u>2 225 658</u>		<u>1 899 705</u>
<u>4 214 857</u>		<u>3 794 008</u>
	Less Current Liabilities—	
1 203 494	Creditors	1 305 321
401 024	Reserve Bank of Australia	2 676 544
37 007	Department of Primary Industry (Hen Levy)	55 352
	Provision for Employees Long Service Leave, Annual	
400 119	Leave and Sick Pay	380 884
100 000	Special Advance—Poultry Industry Trust Fund	
12 696	Term Loan—State Bank	14 132
<u>2 154 340</u>		<u>4 432 233</u>
2 060 517	Working Capital	(638 225)
<u>..</u>	Long Term Deposit	<u>21 933</u>
	Fixed Assets (at cost)—	
973 422	Freehold Properties	4 657 425
18 297	Less Accumulated Depreciation	504
<u>955 125</u>		<u>4 656 921</u>
353 401	Leasehold Property	353 401
105 651	Less Accumulated Depreciation	116 045
<u>247 750</u>		<u>237 356</u>

*Includes \$138 797 (\$338 797 in 1977-78) 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.

1.7.78		30.6.79
\$		\$
1 137 057	Plant and Equipment	1 288 489
653 160	Less Accumulated Depreciation	801 793
483 897		486 696
181 170	Motor Vehicles	184 404
98 485	Less Accumulated Depreciation	103 037
82 685		81 367
61 351	Office Machinery and Equipment	62 334
40 338	Less Accumulated Depreciation	46 643
21 013		15 691
..	Keysborough Plant and Equipment	359 331
1 790 470		5 837 362
	Less Non-Current Liabilities—	
781 448	Term Loans	2 017 315
1 009 022		3 820 047
3 069 539		3 203 755

The Governor in Council, in accordance with the provisions of Section 20 (1) of the *Marketing of Primary Products Act* 1958, approved the transfer to the Reserve Fund of an amount of \$203 598 in respect of 1978–79. Profits from the sale of assets, including property at Ballarat, totalling \$35 746 were also transferred to the Reserve Fund.

During 1978–79 licensees' flocks were reduced as a result of a compulsory quota reduction, pursuant to the provisions of the *Egg Industry Stabilization Act* 1973 and by voluntary reduction as agreed with the Licensing Committee. Compensation totalling \$138 546 was paid by the Board to licensees during the year.

As in previous pool periods, the results of the year's operations were affected by the valuation of stocks of eggs and egg products. The asset "Stock on Hand—Egg and Egg Products" shown in the balance sheet at \$1 183 849 has been valued at current net realisable value 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 30 June 1979, and has the effect of providing a reserve of \$100 000 not incorporated in the accounts.

In addition to a loan of \$800 000 obtained from the State Bank in 1977–78 further finance was obtained by the Board in 1978–79 from the State Insurance Office (\$1 250 000) and the Reserve Bank (\$750 000 bridging finance and an increase of \$685 000 to \$1 800 000 overdraft facility) to help finance the construction works associated with the move of the Board's premises from Port Melbourne to Keysborough. Capital expenditure on these works during 1978–79 amounted to \$3 759 242 (total to 30 June 1979—\$4 180 010) and a further amount of \$359 331 was expended on the purchase and installation of plant and equipment. No depreciation was charged on these assets during the year as they were not fully operational. At 30 June 1979 a further capital commitment of \$658 000 existed in respect of the relocation at Keysborough.

The Poultry Farmer Licensing and the Poultry Farmer Licensing Review Committees were established under the *Egg Industry Stabilization Act* 1973. All moneys received by the Licensing Committee in the form of fees on account of applications for licences, amounting to \$6775 in 1978–79 (\$8670 in the previous year) are paid to the Victorian Egg Marketing Board. The remuneration and allowances paid to the members of the two Committees, together with all other administrative costs, totalling \$47 153 in 1978–79 (\$70 349 in 1977–78) were met from the funds of the Board. The net amount is recorded in the Board's accounts under the heading of Administrative Expenses.

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 primarily financed by public loan borrowings, advances and grants from the State and Commonwealth Governments by way of the Works and Services Account, 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 1979 has been completed.

METROPOLITAN GENERAL FUND

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

1977-78		1978-79	
\$		\$	\$
	Rates and Charges—		
73 950 921	Water Supply	82 037 100	
102 512 540	Sewerage	114 823 443	
13 713 085	Drainage and Rivers	15 558 832	
190 176 546		212 419 375	
	Farm—		
420 451	Profit on cattle and sheep	1 279 391	
2 127	Sundry receipts	3 643	
422 578		1 283 034	
190 599 124	Gross Revenue		213 702 409
	Working Expenses—		
25 422 725	Management (net)	28 735 342	
48 961 555	Maintenance (net)	53 957 347	
89 052 229	Interest (net)	106 303 809	
163 436 509		188 996 498	
27 162 615	Gross Surplus		24 705 911
	General Expenditure—		
5 317 310	Contributions to Superannuation Account	5 653 312	
671 776	Loan Flotation Expenses	1 593 283	
1 148 370	Depreciation—Furniture and Fittings, Works Temporarily Capitalised etc.	1 074 217	
7 137 456		8 320 812	
	Statutory Expenditure—		
443 682	Fees for Municipal Valuations	442 298	
2 448 508	Renewals Fund	3 167 852	
10 029 646	Expenditure etc. from Gross Surplus		11 930 962
17 132 969	Operating Surplus—Available for Appropriation		12 774 949

1977-78		1978-79
\$		\$
	Appropriations—	
5 900 000	General Reserve—	
	Capital Works financed from Revenue	6 900 000
400 000	Repayment of Funds invested in Board's Buildings	400 000
<hr/>		<hr/>
6 300 000		7 300 000
3 172 317	Sinking Fund	3 692 703
7 158 939	Loans Redeemed from Revenue Reserve	7 849 973
200 000	Provision for Doubtful Debts	300 000
100 000	Fund for Replacement of Interior Fittings—Head Office Building	100 000
<hr/>		<hr/>
16 931 256		19 242 676
<hr/>		<hr/>
201 713	Net Surplus/(Deficit)	(6 467 727)
	Transferred (to)/from Rate Equalisation Fund—Metropolitan General Fund	
(201 713)		6 467 727
<hr/>		<hr/>
..		..
<hr/>		<hr/>

Net interest charges amounted to \$106 303 809, and continued to be a heavy burden on the Board's revenue, being \$17 251 580 higher than the previous year. The percentage of rates and charges absorbed by interest was 50.04 compared with 46.83 in 1977-78.

A statement detailing interest transactions during the year is set out hereunder:

1977-78		1978-79
\$		\$
	Interest Paid—	
101 148 285	Loans	115 200 394
1 307 968	Superannuation Account	1 707 457
740 210	Renewals Fund	785 267
2 409 411	Sinking Fund	2 668 438
15 470	Land Purchases	46 135
..	Insurance Fund	929 000
<hr/>		<hr/>
105 621 344		121 336 691
<hr/>		<hr/>
	Less Interest Received—	
16 298 594	Investments	14 682 839
6 251	Property Sales	27 242
264 270	Sewerage—	
	House Connection Advances	322 738
..	Section 142A Repayments	63
<hr/>		<hr/>
16 569 115		15 032 882
<hr/>		<hr/>
89 052 229	Net Interest Paid	106 303 809
<hr/>		<hr/>

Interest credited to the Insurance Fund \$929 000, is discussed under the heading—Departures from Previous Accounting Treatment.

The figures shown for Management Expenses \$28 735 342 (net) and Maintenance Expenses \$53 957 347 (net) are the net expenses after crediting various revenue items amounting to \$2 139 240 and \$29 686 respectively.

The large increase in Loan Flotation Expenses \$1 593 283 (\$671 776 in 1977-78) was due to increased underwriting commissions, together with an increase in the amount of loan funds obtained through underwriters.

Metropolitan Improvement Fund

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

1977-78		1978-79
\$		\$
	Revenue—	
13 547 770	Metropolitan Improvement Rate	14 784 669
741 438	Profit on Land Sales	1 017 750
1 090 554	Property Income (Net.)	1 168 051
2 067 574	Interest on Investments	1 024 376
17 447 336		17 994 846
	Less General Expenditure—	
4 863 659	Management (net)	5 649 657*
453 489	Maintenance	757 075
209 655	Interest	51 200
380 793	Contribution to Superannuation Account ..	424 218
40 862	Fees for Valuation	36 810
2 250 000	Contribution to Melbourne Underground Rail Loop Authority	3 036 000
8 198 458		9 954 960
9 248 878		8 039 886
	Less Capital Expenditure—	
	Planning—	
2 180 593	Reserved Land and Acquisitions	7 003 064
	Metropolitan Parks—	
6 629 215	Land Acquisitions	2 775 633
1 451 359	Construction Works	1 284 421
10 261 167		11 063 118
	Less Amount reimbursed to the Board for—	
		\$
4 547 769	Sales of Land	2 682 577
4 415	Miscellaneous Receipts	3 162
5 708 983		2 685 739
3 539 895	Net Surplus (Deficit) Transferred to (from) Rates Equalisation Fund—Metropolitan Improvement Fund	(337 493)

*Management Expenses—\$5 649 657 (net)—are the net expenses after crediting various revenue items amounting to \$448 559

Details of the credit balances in the accounts of the Board relating to its planning functions for the past two years are given below:

1977-78		1978-79
\$		\$
800 000	Loan Liability—Loan 1477	800 000
800 000	Sinking Fund—Metropolitan Improvement Fund	800 000
2 556 146	Contributions to Works—Metropolitan Improvement Fund	2 541 675
66 865 339	General Reserve—Metropolitan Improvement Fund	75 241 884
11 493 234	Rates Equalisation Fund—Metropolitan Improvement Fund	11 155 742
2 845 661	Superannuation Fund—Metropolitan Improvement Fund Equity .. .. .	..
85 360 380		90 539 301

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

1977-78		1978-79
\$		\$
..	Cash at Bank	20 762
22 588 749	Securities—Short Term	16 753 227
339 150	Advances to Municipalities	278 196
311 133	Arrears—Rates and Charges (estimate)	308 026
	Sundry Debtors—	
5 669 530	Land Sales	5 786 400
259 783	Accrued Interest	158 630
38 300	Rent	20 312
4 520	Cycle Path	17 408
		5 982 750
(14 515)	Less Sundry Creditors—Hired Plant	20 829
35 355 901	Reserved Land (at cost)	39 556 504
	Metropolitan Parks—	
25 881 692	Capitalised Expenditure	29 941 179
90 434 243		92 819 815
	Less—	
2 664 598	Cash at Bank—overdrawn .. .. .	..
2 409 265	Amount due to Metropolitan General Fund	2 280 514
5 073 863		..
85 360 380		90 539 301

Due to the amalgamation on 1 July 1978, of the various ledger accounts which comprise the Superannuation Account, the credit balances shown in the above statement do not reflect the equity of the Metropolitan Improvement Fund in the Superannuation Account. As such equity is held within the Metropolitan General Fund, the figure shown for amount due to Metropolitan General Fund \$2 280 514 is overstated by the amount of such equity.

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:

30.6.78		30.6.1979
\$		\$
	Loan Liability—	
176 106 335	From State Funds	194 776 739
64 767 114	From Commonwealth Funds	64 566 819
1 017 547 707	Other	1 127 713 207
<u>1 258 421 156</u>		<u>1 387 056 765</u>
	Deferred Liabilities—	
31 431 949	Superannuation Account	38 729 030
7 630 499	Provision for Long Service Leave	8 630 499
<u>39 062 448</u>		<u>47 359 529</u>
	Funds and Reserves—	
77 613 275	Sinking Fund—Metropolitan General Fund	83 974 416
48 648 437	Loans Redeemed from Revenue Reserve	56 498 409
60 365 389	General Reserve—Metropolitan General Fund	68 002 941
120 060 521	Contribution to Works—Metropolitan General Fund	142 685 375
364 185	Replacement Fund—Interior Fittings, Head Office Building	510 159
800 000	Sinking Fund—Metropolitan Improvement Fund	800 000
2 556 146	Contribution to Works—Metropolitan Improvement Fund	2 541 675
11 493 235	Rates Equalisation Fund—Metropolitan Improvement Fund	11 155 742
66 865 339	General Reserve—Metropolitan Improvement Fund	75 241 884
11 456 917	Rates Equalisation Fund—Metropolitan General Fund	4 989 190
5 607 904	Special Reserve—Head Office Building	5 607 904
9 862 357	Insurance Fund	11 639 004
13 536 522	Sewage Disposal Contributions Reserve	16 527 812
9 137 255	Water Supply Contributions Reserve	10 825 023
3 988 668	Main Drainage Contributions Reserve	4 661 639
<u>442 356 150</u>		<u>495 661 173</u>
<u>1 739 839 754</u>		<u>1 930 077 467</u>
	Fixed Assets—(at cost)	
622 597 276	Water Supply Works	724 090 640
772 444 885	Sewerage Works	835 348 169
83 342 871	Main Drainage and River Improvement Works	91 981 201
25 881 692	Metropolitan Parks	29 941 179
<u>1 504 266 724</u>	Carried forward	<u>1 681 361 189</u>

30.6.78		30.6.1979
\$		\$
1 504 266 724	Brought forward	1 681 361 189
67 383 931	Buildings, Water Meters and Other Items ..	77 615 676
1 571 650 655*		1 758 976 865*
30 789 310	Less Renewals Fund	34 188 943
1 540 861 345		1 724 787 922
13 359 051	Plant and Tools—at cost less depreciation ..	14 000 947
7 814 344	Motor Vehicles—at cost less depreciation ..	9 688 894
1 349 418	Furniture and Fittings—at cost less depreciation	1 425 103
1 563 384 158		1 749 902 866
	Reserved Land—Metropolitan Improvement Fund—	
33 308 521	Acquired Land—at cost	37 100 014
2 047 380	Compensation for Loss	2 456 490
35 355 901		39 556 504
	Investments—at cost (face value \$149 513 018)	
141 523 957	External—Stock—Short Term Securities, etc. ..	142 509 660
4 237 098	Internal—Stock—Melbourne and Metropolitan Board of Works	4 831 558
145 761 055		147 341 218
	Current Assets—	
	Cash at Bank and on Hand—	\$
..	Metropolitan Improvement Fund	20 762
259 290	Special Accounts ..	276 682
480 940	Cash on Hand	491 040
696 566	Advances to Contractors etc.	788 484
		569 516
9 447 209	Arrears of Rates and Charges	9 914 991
	Debtors—	
6 098 665	Land Sales	6 039 577
5 283 494	Accrued Interest	3 050 175
3 842 146	Advances House Connections	4 847 572
1 983 515	Sundry	1 639 790
26 655 029		25 492 105
600 000	Less Provision for Doubtful Debts	900 000
26 055 029		24 592 105
11 992 226	Stores and Materials on Hand—at cost ..	11 538 677
1 178 398	Livestock on Hand—at cost	1 288 810
40 662 449		38 777 592
1 785 163 563		1 975 578 180
	Less Current Liabilities—	
923 126	Metropolitan General Fund—Bank Overdraft: ..	384 333
2 664 598	Metropolitan Improvement Fund—Bank Overdraft ..	..
40 146 886	Sundry Creditors, Advances to the Board ..	40 859 590
11 387 234	Loan Interest, Matured Debentures, Inscribed Stock	13 751 515
55 121 844		54 995 438
1 730 041 719		1 920 582 742
	Deferred Charges—	
2 942 039	Expenditure on Remedial Works—Head Office Building	4 708 151
6 855 996	Distributable Expense Variance Account ..	4 786 574
1 739 839 754		9 494 725
		1 930 077 467

*Includes Works in Progress \$529 707 441 (\$506 710 536 at 30 June 1978)

Departures from Previous Accounting Treatment

During the year under review the following departures from previous accounting treatment were noted.

Metropolitan General Fund

Management Expenses were charged with an amount of \$416 161 being payroll tax due at 30 June 1979. In previous years, payroll tax due at balance date has not been charged in the accounts until actually paid.

The Insurance Fund was credited with an amount of \$929 000 representing interest earned, at the average rate of return on Board investments, on the balance standing to the credit of the Insurance Fund at 1 July 1978. In previous years all interest earned on the investment of funds forming part of the Metropolitan General Fund, which included the Insurance Fund, had been credited to the Metropolitan General Fund.

The effect of the above changes is that the operating surplus of the Metropolitan General Fund is \$1 345 161 less than it would have been had the previous accounting treatment been adopted.

Long Service Leave

At 30 June 1979, the Provision for Long Service Leave stood at \$8 630 499. The register of long service leave entitlements compiled from personnel records showed that the liability of the Board, at that date, was \$10 044 201.

Investments

Funds invested at 30 June 1979, amounted to \$147 341 218 and were invested in the following securities:

<i>1977-78</i>		<i>1978-79</i>
\$		\$
5 613 620	Commonwealth Government	5 613 620
8 069 230	Victorian Local and Semi-Government Authorities	12 804 430
58 032 485	Bank Term Deposits	24 286 672
57 402 622	Bank Accepted Commercial Bills	84 739 938
12 406 000	Deposits on Official Short Term Money Market	15 065 000
4 237 098	Melbourne and Metropolitan Board of Works Inscribed Stock ..	4 831 558
<hr/> 145 761 055		<hr/> 147 341 218

Insurance Fund

The Board self-insures the majority of the insurance risks associated with its operations through an Insurance Fund. In addition to the annual contribution from revenue, the Insurance Fund is also credited with the equivalent of premium in respect of certain motor vehicle, fire, public liability and contractors' all risk insurances such amounts being either charged to revenue or capital works. Claims for amounts in excess of those to be met from the Fund are covered by policies taken out with outside insurers.

Transactions in the Insurance Fund for the year were:

	1978-79
	\$
Balance 1 July 1978	9 862 357
Annual Contribution	1 000 000
Equivalent of Premium	988 488
Adjustment re recoveries from outside insurers in previous years	82 460
Excess of legal liability—Workers Compensation	25 000
Interest on investment	929 000
	12 887 305
<i>Less Payments—</i>	
Premiums	209 597
Claims (net)	1 038 704
	1 248 301
Balance 30 June 1979	11 639 004

Superannuation

The Board conducts its own Superannuation Schemes. Contributors to the schemes, namely, the Regulation, Agreement, and Special Agreement schemes, are employees appointed to the Administrative or Technical and Professional Divisions, together with full time Board members. In addition employees appointed to a staff position in the General Division may elect to become contributors. The financial transactions in relation to the abovementioned schemes are processed through an account entitled Superannuation Account.

In respect of the Regulation scheme, the Superannuation Regulations made pursuant to Section 42 of the *Melbourne and Metropolitan Board of Works Act 1958* require the Board to contribute twice the contribution of each contributor together with such other amounts as may be determined by the actuary. In the year under review, the rate of contribution by the Board was 3.3:1. This was also the rate of contribution made by the Board to the Agreement scheme. No contributions were made by the Board in respect of the Special Agreement Scheme, as the balances were deemed sufficient to meet the benefits.

An actuarial investigation as to the state and sufficiency of the Superannuation Account is made at least once every three years. The actuarial investigation of the schemes as at 30 June 1978 disclosed that, at that date, the balance in the account, together with future contributions and interest, was sufficient to meet expected future benefits.

A summary of transactions in the Superannuation Account for the year ended 30 June 1979, is set out hereunder:

1977-78	1978-79
\$	\$
25 967 202 Balance 1 July 1978	31 431 949
5 698 103 Contributions—Board	6 077 530
1 853 772 Employees	1 996 878
1 401 269 Interest	1 707 457
	41 213 814
<i>Less Payments</i>	
130 533 Pensions	113 523
2 806 129 Lump Sum Payments	1 727 256
355 495 Death—Invalidity Benefits	397 272
196 240 Refunds—Resigned Contributors	246 733
	2 484 784
3 488 397	
31 431 949	38 729 030

The Balance at 30 June 1979 is represented by:

							1978-79
							\$
Investments—Employee Contribution	..	..	..	..	..	..	9 696 770
Head Office Building	..	..	..	..	..	..	7 911 576
Utilised in Board's undertakings	..	..	..	..	..	..	21 120 684
							<u>38 729 030</u>

The Regulations require that the amount standing to the credit of the Superannuation Account, which represents employee contributions together with interest thereon, shall be invested. Details of investments as at 30 June 1979 are detailed hereunder:

							\$
Local Government Authorities	..	..	..	..	..	..	4 975 000
Statutory Authorities	..	..	..	..	..	..	3 950 000
Melbourne and Metropolitan Board of Works—Inscribed Stock	..	..	..	..	..	..	771 770
							<u>9 696 770</u>

Interest credited to the account during the year, \$1 707 457, represents interest at the rate of 5 per cent., calculated on the balance standing to the credit of the Superannuation Account at the end of each quarter.

Other Funds, Charges etc.

The main credits during the year to Special Funds and the balances of those Funds at 30 June 1979 are shown hereunder:

	Contributions from Revenue	Interest Credited	Total Revenue Additions	Credit Balance at 30 June 1979
	\$	\$	\$	\$
Sinking Fund	3 692 703	2 668 438	6 361 141	83 974 416
Loans Redeemed from Revenue Reserve	7 849 973	..	7 849 973	56 498 409
Renewals Fund	3 167 852	785 267	3 953 119	34 188 943
Superannuation Account	6 077 530	1 707 457	7 784 987	38 729 030

In addition to the Funds listed above, there are other Provisions and Reserves with credit balances to the sum of \$363 818 847 at 30 June 1979. Thus, the sum of the Board's Funds and Reserves at that date was \$577 209 645. Of this sum, \$147 341 218 was invested and \$429 868 427 was utilised in the Board's undertakings.

Deferred Charges at 30 June 1979 amounted to \$9 494 725 and were represented by:

- (i) the temporarily capitalised amount of \$4 708 151, 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
- (ii) the balances of unrecovered overhead accounts amounting to \$4 786 574.

The item "Contribution to Works—Metropolitan General Fund" includes the sum of \$4 941 213 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 \$7 637 552 in the General Reserve—Metropolitan General Fund was accounted for as follows:

	\$
Capital Works financed from Revenue (Appropriation)	6 900 000
Repayment of Superannuation Funds invested in Board's building (Appropriation) ..	400 000
Profit on sale of properties	165 044
Profit on sale of Miscellaneous Assets	104 331
National Debt Sinking Fund—Commonwealth Contribution	14 125
Miscellaneous	54 052
	7 637 552

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 1979 the Board's total liability in respect of such loans stood at \$1 126 913 207. 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 \$259 343 558 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 \$64 566 819, 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 \$190 940 704. Major increases were:

	\$
Reservoir and Conduit Construction etc.	80 250 684
Sewerage—extension mains, purification plants etc.	60 310 958
Water Supply—reticulation, water meters etc.	13 310 815
Water Supply—extension large mains	9 268 119
Main Drains and River Improvements—extensions etc.	8 638 330
Buildings, Storeyards and Quarters	7 390 209
Sewerage Pumping Stations	1 491 415
Construction and Amplification—sewerage disposal etc.—Farm	1 234 735

MELBOURNE AND METROPOLITAN TRAMWAYS BOARD

The powers and duties of the Board are set out in the *Melbourne and Metropolitan Tramways Act 1958*.

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>			
						<i>1977-78</i>		<i>1978-79</i>
						\$		\$
Traffic Receipts—Tram	..	..	..	..	..	27 815 729		29 458 016
Bus	..	..	..	..	..	5 730 146		6 196 296
Miscellaneous—Operating Receipts	..	..	..	..	..	194 775		445 215
Non-operating Receipts	..	..	..	..	..	551 015		569 014
Received from the Drivers' Licence Suspense Account	..	..	..	..	..	1 927 000		1 900 000
						<hr/>		<hr/>
Total Revenue	..	..	..	..	..	36 218 665		38 568 541
						<hr/>		<hr/>
					<i>Expenditure*</i>			
Traffic Operation Costs—Tram	..	..	..	..	..	26 914 791		29 132 306
Bus	..	..	..	..	..	7 461 968		8 187 046
Maintenance—Permanent Way	..	..	..	..	..	1 818 660		2 341 019
Tramcars	..	..	..	..	..	7 501 314		8 608 847
Buses	..	..	..	..	..	3 374 087		3 636 009
Electrical Equipment	..	..	..	..	..	1 636 428		1 881 792
Buildings and Grounds	..	..	..	..	..	891 937		1 026 641
Traction Energy	..	..	..	..	..	1 376 275		1 571 224
Fuel Oil (Buses)	..	..	..	..	..	661 450		839 953
General Administration and Supply Department Costs	..	..	..	..	..	2 455 411		4 786 618
Interest on Capital Debt	..	..	..	..	..	4 440 473		4 888 369
Depreciation and Amortisation Provisions	..	..	..	..	..	1 779 770		2 079 772
Charges for—Accrued Sick Leave	..	..	..	..	..	216 108		200 860
Long Service Leave	..	..	..	..	..	1 281 938		1 011 619
Retiring Gratuities	..	..	..	..	..	2 122 369		1 759 447
Public Liability Claims	..	..	..	..	..	1 317 007		1 422 847
Non-operating expenses	..	..	..	..	..	240 654		267 532
Miscellaneous	..	..	..	..	..	1 595		480 352
						<hr/>		<hr/>
Total Expenditure	..	..	..	..	..	65 492 235		74 122 253
						<hr/>		<hr/>
Result for year	..	..	..	..	Deficit	29 273 570	Deficit	35 553 712
						<hr/>		<hr/>

*Several of the 1977-78 expenditure figures differ from those shown in my 1977-78 Report. They are shown above on the altered basis of cost distribution which has been adopted by the Board.

The Board's balances at 30 June 1978 and 1979, are summarised hereunder:

	30.6.78		30.6.79	
	\$	\$	\$	\$
Current Assets—				
Balances at Bank and Cash in Hand ..	297 619		322 688	
Sundry Debtors	396 956		536 022	
Stores on Hand and Work in Progress ..	6 973 085		7 637 339	
		<u>7 667 660</u>		<u>8 496 049</u>
Fixed Assets (at cost)—				
Permanent Way, Overhead Construction, Transmission Lines	23 898 460		28 249 591	
Rolling Stock	38 816 038		43 184 377	
Land and Buildings	6 329 814		6 591 228	
Plant, Furniture and Fittings etc. ..	5 038 296		5 730 336	
		<u>74 082 608</u>		<u>82 755 422</u>
Less Provision for Depreciation	25 220 621		26 374 424	
		<u>48 861 987</u>		<u>56 380 998</u>
Intangible Assets—				
Sundry Construction Charges	1 006 967		1 006 967	
Contributions to Roads and Bridges ..	776 612		776 612	
Alterations to Mains and Sewers ..	338 222		338 222	
Expenditure on Proposed Tramways ..	63 800		63 800	
		<u>2 185 601</u>		<u>2 185 601</u>
Less Provision for Amortisation	1 738 879		1 781 314	
		<u>446 722</u>		<u>404 287</u>
Investments		4 646 000		*3 646 000
Total Assets		<u>61 622 369</u>		<u>68 927 334</u>
Current Liabilities—				
Bank Overdraft	1 017 597			
Accounts Payable	5 010 335		1 612 115	
Other	1 080 796		2 111 637	
		<u>7 108 728</u>		<u>3 723 752</u>
Accrued Liabilities—				
Interest on Loans	1 349 136		1 136 418	
Public Liability Claims—Tram	1 131 905		1 336 260	
Bus	356 550		405 695	
Workers Compensation Insurance ..	600 000		1 569 831	
Other	919 133		1 483 581	
		<u>4 356 724</u>		<u>5 931 785</u>
Special State Payments—Works and Services				
Account	15 555 000		15 555 000	
Vote	99 782 018		132 449 018	
		<u>115 337 018</u>		<u>148 004 018</u>
Liability in respect of Loans from Banks, Superannuation Funds etc.		54 413 298		63 160 649
Total Liabilities		<u>181 215 768</u>		<u>220 820 204</u>

*Consisting of Inscribed Stock \$2 646 000, Short Term Money Market \$1 000 000.

	30.6.78		30.6.79	
	\$	\$	\$	\$
The excess of Liabilities over Assets is represented by—				
The Accumulated Deficit 1 July	101 842 219		131 115 789
Plus Deficit for year	29 273 570		35 553 712
		<hr/>		<hr/>
Accumulated Deficit at 30 June	131 115 789		166 669 501
Less Grants from Commonwealth for Tram-				
lines constructed at its request	157 573	157 573	
Net Contributions towards Major Tram-				
ways Works constructed at the request of				
other Authorities	2 384 859	2 409 859	
Grant from Country Roads Board—Tram				
Track Construction Project	1 585 576	2 085 576	
Grants from Commonwealth under <i>States</i>				
<i>Grants (Urban Public Transport) Act 1974</i>	..	7 394 382	10 123 623	
		<hr/>	<hr/>	<hr/>
		11 522 390		14 776 631
		<hr/>		<hr/>
		119 593 399		151 892 870
		<hr/>		<hr/>

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 \$1 900 000 from the Drivers' Licence Suspense Account is the amount which was determined by the Treasurer as being payable in 1978–79 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 payments from the State amounting to \$148 004 018 indicate the amount of direct financial assistance given to the Board.

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 provisions. Details are:

			30.6.78	30.6.79
			\$	\$
Provision for depreciation and amortisation .. .. .	..	..	24 615 668	25 525 826
Sinking Fund .. .. .	..	..	2 343 832	*2 629 912
			<hr/>	<hr/>
Total Provision .. .. .	..	..	26 959 500	28 155 738
			<hr/>	<hr/>

* Of the investments of the Board amounting to \$3 646 000 at 30 June 1979, investments to the sum of \$2 629 912 were accepted as being held on behalf of the Sinking Fund.

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 redevelopment in accordance with the requirements of the Authority.

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. For the year 1978-79 the Authority was authorised as part of the State's loan program to borrow \$62.185 million from the following sources:

	\$
Public Loan No. 301 ..	30 000 000
Public Loan No. 401 ..	10 550 000
Private borrowings ..	21 635 000
	<hr/>
	62 185 000
	<hr/>

Apart from amounts totalling \$151 370, all loan subscriptions had been received in full during the year.

At 30 June 1979, liability amounted to \$238 573 642 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.

In respect of borrowings by way of inscribed stock, advances from Works and Services Account and temporary accommodation, net interest payable by the Authority for 1978-79 was \$20 608 164 as against \$15 707 479 for the previous year. Interest expenses are being capitalised in the financial accounts of the Authority and at 30 June 1979, the cumulative total of such expenses was \$56 938 285.

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 additional land purchased for redevelopment (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, the Treasurer determined, for 1978-79, that contributions to the net loan redemption payments totalling \$21 107 575 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	2 127 081
City of Melbourne—10 per cent of \$20 240 000	2 024 000
Melbourne and Metropolitan Board of Works—15 per cent of \$20 240 000 ..	3 036 000
Consolidated Fund—the balance <i>re</i> General Borrowings	13 053 260
	<hr/>
	20 240 341
From—Consolidated Fund—Land Purchase (Section 30A)	867 575
	<hr/>
	21 107 916
<i>Less—</i>	\$
Overpayment 1978-79	81
Adjustment 1977-78	260
	<hr/>
	341
Treasurer's Determination	<hr/>
	21 107 575

The overpayment of \$81 will be adjusted in 1979-80 in accordance with the provisions of the Act.

Capital Expenditure

A summary of capital expenditure of \$57 772 728 for 1978-79 is set out hereunder:

	\$
<i>Works</i>	
Signalling, Box Tunnels, Ramps, Trackwork, Substation, Sleepers, Rails etc	14 978 384
Station Tunnels—Museum to Parliament and to Jolimont	11 383 592
Booking Hall Flagstaff and Parliament Stations	2 211 410
Museum Station	5 050 070
Tunnels Museum to Flagstaff	6 288 853
Tunnels Flagstaff to West Melbourne	1 683 247
Flagstaff Station	2 128 774
Overpass Flinders/Spencer Street	2 143 471
Escalators Museum Station	1 167 063
<i>Consultancy</i>	
Principal Consultants	5 808 517
Victorian Railway Board	1 631 966
Railway Construction Board	284 936
Other Associated Expenses	280 156
	<hr/>
	8 005 575
<i>Insurance</i>	2 289 643
<i>Land Acquisition and Expenses</i>	345 627
<i>Sundry</i>	97 019
	<hr/>
	57 772 728

The financial position of the Authority at 30 June 1978 and 1979 is set out hereunder. Fixed assets in the financial statement are shown at cost. No provision is made for depreciation.

30.6.78		\$	\$	30.6.79	\$
	Fixed Assets—				
173 341 050	Loop Development		230 265 351*		
120 851	Plant		130 573		
88 154	Office Furniture, Fittings and				
	Equipment		89 613		
6 609	Motor Vehicle		6 969		
	Land Acquisitions and Expenses—				
6 106 380	Section 30A	6 357 860			
14 515 914	Other	14 610 061	20 967 921		
<u>194 178 958</u>					251 460 427
	Investments—Inscribed Stock, Fixed				
	Deposits and Bonds—				
935 299	Sinking Fund		1 565 539		
33 061	Staff Retirement Fund		13 250		
<u>968 360</u>					1 578 789
	Current Assets—				
145 687	Cash at Bank and on Hand .. ..		..
5 000	Investments—Short Term		5 755 000		
45 442	Accrued Interest Receivable		60 502		
281 271	Prepayments		340 320		
200 000	Sundry Debtors .. ..		..
<u>677 400</u>					6 155 822
	Intangibles—Capitalised Costs—				
3 453 880	Administrative Expenses		4 237 342		
..	Public Loan Expenses		654 261		
36 330 121	Interest (Net)		56 938 285		
803 435	Contributions to Sinking Fund		1 327 144		
<u>40 587 436</u>					63 157 032
<u>236 412 154</u>					322 352 070
	Less Current Liabilities—				
2 000 000	Bank Overdraft	124 495			
11 500 000	Short Term Advances	12 850 000			
100 000	Inscribed Stock Applications	250 000			
871 390	Sundry Creditors	2 551 558			
4 294 508	Accrued Interest Payable	5 055 501			
20 000	Contractors' Deposits	32 000			
..	Bills Payable	3 000 000			
<u>18 785 898</u>			23 863 554		
	Reserves—				
935 299	Sinking Fund Reserve	1 565 539			
33 061	Staff Retirement Fund	13 250	1 578 789		
<u>968 360</u>					25 442 343
<u>19 754 258</u>					
<u>216 657 896</u>					<u>296 909 727</u>

*Includes \$3.35 million advance payments to contractors

The assets and expenses of the Authority have been financed as shown hereunder:

1977-78		1978-79
\$		\$
	Contributions—	
	To Loan Redemption Payments—	
6 945 953	Victorian Railways Board	9 073 034
4 896 123	City of Melbourne	6 920 123
6 103 624	Melbourne and Metropolitan Board of Works	9 139 624
17 088 373	Consolidated Fund	31 009 208
<hr/>		<hr/>
35 034 073		56 141 989
56 975	To Administrative Expenses—	
	Victorian Railways Board	56 975
2 137 121	To Capital Works—	
	Victorian Railways Board	2 137 121
<hr/>		<hr/>
37 228 169		58 336 085
	Loans—	
177 456 132	Secured by Inscribed Stock	236 608 215
1 973 595	Works and Services Account	1 965 427
<hr/>		<hr/>
179 429 727		238 573 642
<hr/>		<hr/>
216 657 896		296 909 727

A statement of the financial transactions of the Authority for the year ended 30 June 1979 is given:

Funds Available to the Authority

1977-78		1978-79
\$		\$
	Contributions—	
1 797 580	Victorian Railways Board	2 127 081
1 500 000	City of Melbourne	2 024 000
2 250 000	Melbourne and Metropolitan Board of Works ..	3 036 000
10 412 260	Consolidated Fund	13 920 835
<hr/>		<hr/>
15 959 840		21 107 916
	Borrowings—	
51 000 000	Inscribed Stock	59 998 630
9 500 000	Short Term Advances	1 350 000
<hr/>		<hr/>
60 500 000		61 348 630
..	Reduction in Advances to Contractors	491 259
..	Increase in Current Liabilities	3 727 656
985 008	Interest—Receivable on Investments	645 245
<hr/>		<hr/>
77 444 848		87 320 706

Funds Applied by the Authority

	Capital Expenditure—	
43 834 694	Works	47 034 864
1 354 013	Advances to Contractors .. .. .	..
6 427 265	Consultancy	8 005 575
1 469 270	Insurance	2 289 643
1 239 976	Land Acquisitions and Expenses	345 627
113 751	Sundry	97 019
<hr/>		<hr/>
54 438 969		57 772 728
729 726	Administrative Expenses	1 437 723
	Loans—	
16 692 487	Interest	21 253 409
626 168	Reductions—Inscribed Stock	854 715
2 000 000	—Short Term Advances .. .. .	..
313 400	Sinking Fund Contributions	523 709
<hr/>		<hr/>
19 632 055		22 631 833
2 435 903	Decrease in Current Liabilities .. .. .	..
207 935	Increase in Current Assets	5 478 422
260	Short Fall Loan Redemption Contributions ..	..
<hr/>		<hr/>
77 444 848		87 320 706

MELBOURNE WHOLESALE FRUIT AND VEGETABLE MARKET TRUST

The Melbourne Wholesale Fruit and Vegetable Market Trust was established as a body corporate under the provisions of the *Melbourne Wholesale Fruit and Vegetable Market Trust Act 1977*. Certain financial aspects of the transfer were adjusted and/or determined by Order in Council of 29 August 1978, pursuant to the provisions of Section 41 of the Act and in consequence of the provisions of Section 42 with effect from 31 March 1978. The Order, provided *inter alia*, for—

- (i) accumulated losses of the Council in relation to the market to be \$1 340 937 and for this amount, together with interest to be repaid by instalments over the period ending 30 September 1981; and
- (ii) the net capital liability of the Council in respect of loans raised for market purposes and capitalised revenue expenditure to be \$8 527 677. This amount, together with interest, to be repaid by the Trust in accordance with repayment schedules submitted by the Council.

Pursuant to the provisions of the legislation, control of the Market was transferred from the Melbourne City Council to the Trust on 1 April 1978.

The functions of the Trust are to control, maintain, and manage the Market and Market lands. The Trust's Income and Expenditure for the first full year of operations which ended on the 30 June 1979 is summarised hereunder:

		30.6.79	
	\$	\$	\$
<i>Income</i>			
Rents	1 788 486		
Government Grant	492 969		
Other Income	45 644		
	..		2 327 099
<i>Total Income</i>			
<i>Less Expenditure</i>			
Salaries and Associated Costs	687 718		
Interest—			
Loans	794 484		
Accumulated Losses	141 916		
Capitalised Costs	49 538		
Depreciation	85 865		
Operating and Maintenance	320 289		
Administration Expenses	107 374		
	..		2 187 184
			139 915
<i>Operating Surplus</i>			
<i>Appropriated to—</i>			
Accumulated Deficit from 1977-78	43 823		
Loan Redemption Reserve	96 092		
	..		139 915

The following is an abridged statement of the Trust's Balance Sheets:

		30.6.79	
	\$	\$	\$
<i>Capital</i>			
2 848	Government Grant	258 207	
2 848	Loan Redemption Reserve	98 940	
		..	357 147
5 696			..

30.6.78	\$	REPRESENTED BY—	\$	30.6.79	\$
		<i>Fixed Assets</i>			
7 907 281		Buildings	7 926 557		
1 955 047		Land	1 995 229		
9 862 328		(Note 1)	9 921 786		
..		Less—Depreciation (Note 2)	84 172		
				9 837 614	
7 175		Office Equipment	23 965		
2 639		Market Equipment	21 277		
1 750		Motor Vehicles	1 750		
11 564			46 992		
(162)		Less—Depreciation	1 854		
11 402				45 138	
9 873 730					9 882 752
		<i>Other Assets</i>			
80 000		Investments	200 000		
46 641		Debtors	105 225		
47 052		Debtor—Long Service Leave and Retiring Allowance (Note 3)	47 052		
..		Sinking Fund	91 938		
4 398		Prepayments	34 125		
100		Cash	200		
178 191					478 540
10 051 921		TOTAL ASSETS			10 361 292
		DEDUCT—			
		<i>Liabilities</i>			
17 540		Sundry Accruals (Note 4)	234 081		
41 242		Sundry Creditors	43 012		
42 163		Bank Overdraft	27 370		
100 945					304 463
126 185		<i>Provisions</i>			
		Long Service/Annual Leave and Retiring Allowance			158 647
		<i>Non-Current Liabilities</i>			
		Due to Melbourne City Council:			
8 045 441		Loans	7 956 564		
1 340 937		Accumulated Losses	1 090 937		
476 540		Capitalised Costs	396 639		
9 862 918					9 444 140
..		Other Loans			96 895
10 090 048					10 004 145
(43 823)		Accumulated Deficit .. .. .			..
10 046 225		TOTAL LIABILITIES			10 004 145
5 696					357 147

The Trust has appended the following explanatory notes to its accounts for the year ended 30 June 1979:

NOTE 1. Land and Buildings have been included in the Balance Sheet at the separate deemed values (less other land at cost) at date of transfer of the Market to the Trust (1 April 1978).

The Trust is seeking legal opinion on whether an Order-In-Council is necessary to specify the separate assets.

NOTE 2. Includes an amount of \$16 748.00 in respect of the period to 30 June 1978.

NOTE 3. Is the amount which the Melbourne City Council is liable to pay the Trust in respect of Officers or Employees who elected to transfer to the Trust on 1 April 1978. The Council is not required to pay the amount until the date when the actual legal entitlement thereto arises.

NOTE 4. Includes an amount of \$193 505.53 in respect of Accrued Interest on Repayment Loans, Redemption Loans, Capitalized Costs and other Loans.

METROPOLITAN FIRE BRIGADES BOARD

The Metropolitan Fire Brigades Board is constituted under the *Metropolitan Fire Brigades Act 1958* and is responsible for the general control of all fire stations and brigades within the metropolitan fire district.

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 Metropolitan Fire Brigades Act requires the Auditor General to audit the accounts of all moneys received and disbursed by the Board. The following consolidated statement, in which the figures for 1978-79 are subject to audit, shows receipts and payments for the past two years:

1977-78		1978-79
\$	<i>Receipts</i>	\$ \$
	Statutory Contributions—	
22 423 018	Fire Insurance Companies	23 736 278
3 736 250	Municipalities	3 956 375
3 736 250	Treasurer of Victoria (Consolidated Fund)	3 956 375
518 477	Brokers and Owners (net)	442 851
		32 091 879
30 413 995		
359 904	Commonwealth Government Subsidy	320 130
2 348 615	Rental of Fire Alarms, Patrol Services, Testing and Inspecting Appliances (net)	2 123 565
479 606	Sale of Materials, Property and Plant	122 484
204 640	Rents	229 187
47 798	Uninsured Fires (net)	51 883
604 913	Interest on Investments etc.	543 763
..	Investments—Short Term (net)	1 570 000
1 200	Long Term (net)	182 480
14 325	Miscellaneous	9 256
1 166 142	Balance 30 June overdrawn	1 590 604
		38 835 231
35 641 138		
	Payments	
1 265 391	Balance 1 July overdrawn	1 166 142
22 961 854	Salaries and Wages (net)	25 196 682
1 134 246	Payroll Tax	1 246 513
1 316 976	Insurance (net)	1 317 074
2 545 705	Superannuation Contributions and Staff Insurance Subsidies (net)	2 897 500
3 372 192	Maintenance etc. (net)	3 967 438
781 564	Purchases—Land and Buildings	70 640
451 356	Plant Machinery and Equipment	1 648 857
599 629	Rolling Stock	558 909
428 231	Interest on Loans	485 389
213 994	Loan Repayments	280 087
570 000	Investments—Short Term (net) .. .. .	..
		38 835 231
35 641 138		

Receipts and payments of loan moneys for 1977-78 and 1978-79 are compared hereunder:

1977-78		1978-79
\$		\$
164 826	Balance 1 July .. .. .	..
	<i>Add Receipts—</i>	
1 000 000	Loan Proceeds	1 000 000
700	Adjustments—Previous year .. .. .	..
<hr/>		<hr/>
1 165 526		1 000 000
	<i>Less Payments—</i>	
1 165 526	Head Station (Eastern Hill)	486 729
<hr/>		<hr/>
..	Balance 30 June	513 271
<hr/>		<hr/>

The accounts of the Board are also subject to audit by a firm of Chartered Accountants appointed by the Board. The firm provides a certificate to the Balance Sheet and related statements.

The following abridged statement of assets and liabilities and funds of the Board at 30 June 1978 and 1979 is included for information purposes:

30.6.78		30.6.79
\$		\$
	<i>Current Assets—</i>	
268 238	Sundry Debtors	516 060
4 070 000	Investments—Short Term	2 500 000*
726 949	Stock on Hand (at cost)	913 036
<hr/>		<hr/>
5 065 187		3 929 096
	<i>Fixed Assets (at cost less depreciation)—</i>	
16 117 847	Land and Buildings	16 716 030
742 698	Plant, Machinery and Equipment	849 432
3 083 110	Rolling Stock	3 835 872
118 370	Communication System.. .. .	1 180 650
<hr/>		<hr/>
20 062 025		22 581 984
671 192	<i>Investments—Long Term</i>	490 900†
<hr/>		<hr/>
25 798 404	Total Assets	27 001 980
	<i>Current Liabilities—</i>	
1 166 142	Cash Balance Overdrawn (net)	1 077 333
16 020	Sundry Creditors	16 116
<hr/>		<hr/>
1 182 162		1 093 449
<hr/>		<hr/>
5 722 327	<i>Loan Liability</i>	6 442 240
	<i>Funds</i>	
4 166	Florant Reward Fund	4 514
45 172	Motor Replacement Fund	9 716
1 683 583	Plant and Building Fund	1 332 489
12 000	Recreation and Education Fund.. .. .	10 393
650 315	Special Service Fund .. .. .	..
..	Loan Fund	513 271
<hr/>		<hr/>
2 395 236		1 870 383
<hr/>		<hr/>
9 299 725	Total Liabilities and Funds	9 406 072
16 498 679	Excess of Assets over Liabilities	17 595 908
<hr/>		<hr/>
25 798 404		27 001 980
<hr/>		<hr/>

* Term Deposit \$500 000, Official short-term money market \$2 000 000.

† Inscribed stock \$109 700, Company Debenture Stock \$381 200.

Communication System—Eastern Hill

The cost of supplying and installing the communication system at Eastern Hill was originally estimated at \$3 400 000. At 30 June 1979 expenditure totalled \$1 180 650. Completion is expected by approximately March 1980.

Special Service Fund

The Special Service Fund, which recorded transactions in respect of patrol services and inspecting and testing fire fighting equipment, was amalgamated with the general operations of the Board from 1 July 1978.

		<i>Expenditure</i>					
1977-78						1978-79	
\$						\$	\$
	Benefits—						
1 292 099	Board Scheme	..	..	..	..	1 522 360	
152 549	No. 1 Scheme	..	..	..	..	119 760	
391 860	No. 2 Scheme	..	..	..	..	302 933	
38 497	Insurance Scheme	..	..	..	..	16 795	
						<hr/>	1 961 848
	Administrative Costs—						
55 751	Salaries (including temporary staff)	..	..	..	..	68 472	
2 009	Printing, Stationery and Advertising	..	..	..	..	4 094	
9 636	Office Equipment	..	..	..	..	2 976	
8 611	Computer Consultants' Fees	..	..	..	..	3 785	
6 837	Superannuation	..	..	..	..	7 177	
9 007	Rent	..	..	..	..	9 621	
11 816	Fees (Audit, Actuary and Solicitors)	..	..	..	..	10 167	
3 174	Medical Examination Charges	..	..	..	..	10 603	
6 172	Other	..	..	..	..	7 178	
						<hr/>	124 073
<hr/>							<hr/>
1 988 018							2 085 921
235 547	Loss on Sale of Investments	..	..	..	..		..
<hr/>							<hr/>
2 223 565							2 085 921
4 935 791	Excess of Income over Expenditure	..	..	..	..		6 524 657
<hr/>							<hr/>
7 159 356							8 610 578
							<hr/>

A condensed balance sheet of the Fund at 30 June 1978 and 1979 is set out hereunder:

Balance Sheet

30.6.78		30.6.79
\$	\$	\$
<i>Current Assets—</i>		
28 640	Cash at Bank and in Hand.. ..	..
<i>Debtors—</i>		
Interest on Investments and Mortgage		
283 633	Loans	410 688
3 147	Sundry	17 627
		428 315
256 779	Investment Interest Accrued ..	188 518
2 240 684	Investments—Short Term (at cost) ..	800 000
		1 416 833
2 812 883		
27 126 029	<i>Investments—Long Term (at cost)</i> ..	35 133 554
		36 550 387
<i>Current Liabilities—</i>		
..	Bank Account Overdrawn (net) ..	66 586
<i>Creditors—</i>		
33 278	Benefits Payable	10 457
7 649	Sundry	13 170
786		
		23 627
		..
41 713		90 213
<i>Reserves—</i>		
18 968	Mortgage Reserve	57 286
29 878 231	Superannuation Fund	36 402 888
		36 460 174
29 897 199		
29 938 912		36 550 387

A comparison of investments (at cost) held at 30 June 1978, and 1979, is given below:

	30.6.78	30.6.79
	\$	\$
<i>Short Term—</i>		
Deposit at Call	50 000	800 000
Short-term Deposits	1 700 000	..
Bank Accepted Bills	490 684	..
		2 240 684
		800 000
<i>Long Term—</i>		
Commonwealth Government Securities	2 002 320	1 006 177
Semi-Government and Local Government Securities	3 159 691	3 154 161
First Mortgage Loans	20 866 500	28 061 800
Housing Loans—Board Scheme Contributors	741 959	2 514 952
Insurance Scheme Policies	355 559	396 464
		27 126 029
		35 133 554

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.

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 conducted by auditors appointed by the Board. This audit and that conducted by my officers are complementary in character.

Expenses and compensation payments granted by the Board as the result of motor accidents are met from the General Account. This Account is financed from funds provided by the authorised insurer (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 insurer to pay to the Board certain sums determined by it. In 1977-78, calls made under Section 65 amounted to \$20 928 000, and, in 1978-79, \$33 600 000.

E.D.P. operating expenditure for the year amounted to \$1 248 140 and E.D.P. capital expenditure totalled \$285 000. The basis upon which the \$285 000 was capitalised to E.D.P. Development Expenses was not consistent with methods determined in prior years. Moreover, records maintained are inadequate to satisfactorily measure this aspect of capitalised expenditure.

The computer facilities available to the Motor Accidents Board are provided by the Local Authorities Superannuation Board. During 1979, an audit review of certain aspects of the computerised procedures adopted by the Motor Accidents Board was undertaken. Several weaknesses in internal and computer controls were disclosed by the review team and a comprehensive report has been forwarded to the Treasurer. The report contained certain recommendations, including the need for:

- (a) A review of the Board's contractual arrangements with the Local Authorities Superannuation Board,
- (b) Clarification of contractual arrangements with the Board's computer consultant,
- (c) Clarification and authorisation of the terms of reference for the various computer committees, and
- (d) Forward planning of future development with particular attention to cost benefit and feasibility studies.

The statutory period in relation to the special Account, particulars of which have been given in previous Reports, ended on 11 February 1977. The surplus at 30 June 1979 was \$2 668 919. The legislation does not provide for disbursement of any surplus and, in my opinion the situation should be reviewed.

The General Account showed a deficit of \$6 198 334 and a surplus of \$2 040 280 in the two years, 1977-78 and 1978-79, respectively.

Details of income and expenditure of the General and Special Accounts together with the Board's Balance Sheets for the two years are shown hereunder:

GENERAL ACCOUNT		1977-78	1978-79
		\$	\$
	<i>Receipts</i>		
20 928 000	Calls on Authorised Insurers		33 600 000
113 530	Drivers' Licence Surcharges		178 952
507 796	Interest earned on Short Term Deposits		412 091
132 315	Medibank Receipts		129 743
<hr/>			<hr/>
21 681 641			34 320 786
	<i>Less—Payments</i>		
25 227 516	Benefits Paid	29 043 702	
2 652 459	Administrative Expenses (Note 4)	3 236 804	
<hr/>		<hr/>	<hr/>
27 879 975			32 280 506
<hr/>			<hr/>
(6 198 334)	(Deficit) Surplus for Period		2 040 280
8 597 374	Surplus brought forward 1 July		2 399 040
<hr/>			<hr/>
2 399 040	Balance at 30 June		4 439 320
<hr/>			<hr/>
SPECIAL ACCOUNT			
	<i>Receipts</i>		
222 567	Interest earned on Short Term Deposits	234 369	
3 672	Medibank Receipts	3 601	
<hr/>		<hr/>	<hr/>
226 239			237 970
	<i>Less—Payments</i>		
145 239	Benefits Paid	56 369	
17 010	Administrative Expenses (Note 4)	6 282	
<hr/>		<hr/>	<hr/>
162 249			62 651
<hr/>			<hr/>
63 990	Surplus for Period		175 319
2 429 610	Balance brought forward 1 July		2 493 600
<hr/>			<hr/>
2 493 600	Balance at 30 June		2 668 919
<hr/>			<hr/>

30.6.78

BALANCE SHEET

30.6.79

\$		\$	\$
	Funds held by the Board—		
2 399 040	General Account		4 439 320
2 493 600	Special Account		2 668 919
<u>4 892 640</u>			<u>7 108 239</u>
	Represented by—		
	Current Assets—		
200	Cash on Hand	300	
7 138	Prepayments	21 700	
153 652	Sundry Debtors	202 137	
6 100 000	Short Term Deposits at Bank	8 600 000	
<u>6 260 990</u>			8 824 137
	Less Current Liabilities and Provisions—		
1 369 429	Sundry Creditors and Accruals—(Note 1)	1 757 403	
440 589	Bank	379 760	
161 796	Provision for Long Service Leave	189 600	
<u>1 971 814</u>			2 326 763
<u>4 289 176</u>			<u>6 497 374</u>
	Fixed Assets (at cost)—		
129 569	Office Partitions	135 990	
74 328	Furniture and Fittings	65 272	
105 493	Office Equipment	116 514	
39 448	Motor Vehicles	43 761	
<u>348 838</u>		<u>361 537</u>	
63 374	Less Provision for Depreciation (Note 2)	98 672	
<u>285 464</u>			262 865
478 000	E.D.P. Development Expenses (Note 3)	763 000	
160 000	Less Provision for Depreciation	415 000	
<u>318 000</u>			348 000
<u>4 892 640</u>			<u>7 108 239</u>

The Board has appended the following explanatory notes to its accounts for the year ended 30 June 1979:

- “1. Sundry Creditors and Accruals include an amount of \$1 699 852 being June benefits payable, paid in July.
2. Provision for Depreciation at \$98 672 (1978, \$63 374) has been made on the Assets as follows:

	1979	1978
	\$	\$
Office Partitions	29 206	16 519
Furniture and Fittings	22 098	15 619
Office Equipment	42 158	26 885
Motor Vehicles	5 210	4 351
	<u>98 672</u>	<u>63 374</u>

3. E.D.P. Development Expenses represents expenditure of a capital nature on development and implementation of computer systems. Depreciation of \$255 000 has been charged for the estimated usage of the systems.

4. Administrative Expenses totalling \$3 243 086 (1978, \$2 669 469) were comprised of the following main items:

	1979	1978
	\$	\$
Salaries and related costs	1 520 861	1 383 107
Computer Operations	1 248 140	858 423
Premises and Equipment	202 554	187 670
Other Overheads	271 531	240 269
	3 243 086	2 669 469

These expenses have been allocated between General and Special in the same proportions as Benefits paid in each account.

5. Outstanding Benefits Liability.

The liability for future benefits payable for accidents occurring up to and including 30 June 1979, was determined from an examination of the payment run-off of benefits since inception and has been estimated to be:

	\$
General Account	41 465 000
Special Account	15 000

6. No deductions from benefits paid were made in respect of Income Tax. A Supreme Court judgement delivered on the 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.

An appeal by the applicant to the Federal Court was heard on the 3 August 1979 and judgement has been reserved."

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 Council is responsible for the management and administration of the National Gallery of Victoria and the Banyule Gallery. It is also responsible for the maintenance, development and display of the State collection of works of art and assists in the promotion, organisation and supervision of art education throughout Victoria.

The following statement of receipts and payments summarises the various transactions within the Trustees' accounts for the years ended 30 June 1978 and 30 June 1979. This statement has been prepared from the annual accounts submitted by the Trustees.

1977-78		1978-79
\$		\$
8 777	Balances 1 July	126 542
	<i>Add Receipts</i>	
193 750	Interest and Dividends	278 041
229 498	Exhibitions	50 024
207 934	Admission Charges	210 970
536 845	Donations and Bequests including Art Foundation	497 908
406 840	Sale of books, publications and catalogues, etc.	449 155
69 926	Grants from Auxiliaries, etc.	62 495
500 000	Subsidy from State Government (<i>re Art Foundation</i>)	472 455
260 000	Loan from State Government .. .. .	..
294 164	Investments redeemed and matured	1 442 300
39 669	Hiring charges for the Great Hall	44 983
29 506	Restaurant—Share of turnover	27 441
25 480	Miscellaneous	65 215
2 802 389		3 727 529
	<i>Less Payments</i>	
1 301 000	Purchase of Investments	2 470 900
269 006	Exhibitions	108 448
130 000	Repayment of loan from State Government	130 000
439 217	Purchase of works of art, etc.	506 058
268 050	Purchase of books, publications, etc.	288 169
10 488	Scholarships and prizes	9 355
63 038	Administrative charges	49 850
55 254	Salaries and wages	64 222
22 300	Great Hall expenses	24 323
31 026	Building maintenance	45 288
86 468	Miscellaneous	102 847
126 542	Balance 30 June	(71 931)
2 802 389		3 727 529

Investments held by the Trustees at 30 June 1978 and 30 June 1979 consisted of—

2 150 000	Bank Interest Term Deposits	1 776 000
199 100	Government and Semi-Government Inscribed Stock	203 700
100 000	Australian Savings Bonds	100 000
83 000	Company debentures	83 000
35 866*	Company shares	*50 848
39 000	Mortgage	1 437 000
2 606 966		3 650 548

* Market Value at 30 June

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 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 \$7634 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.

Pending clarification of the legal position, the values of the assets of the terminal and the related land and the associated loan liability have not yet been incorporated into the accounts of the Grain Elevators Board, although those accounts have included details of the operating transactions of the terminal since 1 November 1977.

Further reference to this matter is made on page 28 of this Report.

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 \$1 450 000, there was a surplus of \$31 933 on the year's operations. This compares with a deficit of \$94 329 in 1977-78.

Particulars of revenue and expenditure for the past two years are shown hereunder. The figures for 1978-79 are subject to audit.

1977-78		1978-79
\$		\$
OPERATING REVENUE		
504 797	Wharfage Rates	528 729
374 656	Shipping Services	384 477
484 585	Charges for other services	276 107
78 839	Rent and Licence Fees	141 802
340 611	Handling Charges etc.—Grain Terminal to 31 October 1977 .. .. .	..
21 677	Cool Store Operations	41 713
996	Other	6 065
1 806 161		1 378 893
OPERATING EXPENDITURE		
428 554	Administrative	489 322
192 470	Maintenance	221 690
691 706	Port Operating Expenses	621 238
151 325	Grain Terminal Expenses (including Depreciation) to 31 October 1977 .. .. .	..
35 749	Cool Store Expenses	28 391
1 499 804		1 360 641

1977-78		1978-79
\$		\$
306 357	Operating Surplus	18 252
15 496	NON-OPERATING REVENUE Interest	45 236
321 853		63 488
	NON-OPERATING EXPENDITURE	
1 416 152	Loan Interest	1 481 555
30	Loan Flotation Expenses etc. .. ..	..
1 416 182		1 481 555
1 094 329	Excess of Expenditure over Revenue ..	1 418 067
	Contribution by State from the Consolidated Fund for maintenance of port facilities and for other purposes	1 450 000
(94 329)	(Deficit) Surplus for year	31 933
487 579	Accumulated Deficit at end of previous year ..	753 085
54 606	Sinking Fund Provision	54 215
116 571	Redemption of Loans	140 519
753 085	Accumulated Deficit at end of year ..	915 886

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 \$3 746 268, and National Debt Sinking Fund contributions, \$482 185.

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

30.6.78		30.6.79
\$		\$
	CURRENT LIABILITIES	
397 249	Sundry creditors and accrued charges ..	456 868
2 406	Other	7 287
<hr/>		<hr/>
399 655		464 155
	DEFERRED LIABILITIES	
23 107 083	Loan Liability	24 223 698
123 702	Provision for Long Service Leave	153 109
291 554	Other Provisions and Reserves	318 390
<hr/>		<hr/>
23 522 339		24 695 197
	FUNDS OF THE TRUST	
22 908	Endowments	22 816
1 923 768	Sinking Fund	2 135 778
1 081 917	Loans Redeemed Reserve	1 222 436
<hr/>		<hr/>
3 028 593		3 381 030
753 085	<i>Less—Accumulated Deficit</i>	915 886
<hr/>		<hr/>
2 275 508		2 465 144
<hr/>		<hr/>
26 197 502		27 624 496
	CURRENT ASSETS	
113 382	Cash	143 817
195 840	Stores	210 766
352 898	Sundry Debtors and Prepayments	427 548
<hr/>		<hr/>
3 418 427	Investments	782 131
		*†3 786 895
	FIXED ASSETS	
11 379	Property Vested (<i>less</i> Written Off)	11 379
20 198 456	Breakwaters, Wharves and Port Services, Permanent Plant and Equipment (<i>less</i> Depreciation)	22 547 467
1 841 712	Construction Work in Progress	431 308
65 408	Other	65 316
<hr/>		<hr/>
26 197 502		23 055 470
<hr/>		<hr/>
		27 624 496

Loan Liability at 30 June 1979 comprised advances from the Treasurer, \$3 822 900, (including \$24 900 discount and expenses on loans) and \$20 400 798 raised by the Trust by the issue of Inscribed Stock and Debentures.

Deferred Liabilities do not include the amount of \$3 746 268, interest accrued on advances from the Treasurer.

* Includes investments on account of Sinking Fund.

† Consisting of investments in semi-government Authorities \$1 791 100, Municipalities \$613 534, Water and Sewerage Authorities \$682 140, and Bank Deposits \$700 121

PORT OF MELBOURNE AUTHORITY

By virtue of the *Port of Melbourne Authority Act 1978*, the name of the Melbourne Harbor Trust was changed to that of the Port of Melbourne Authority, with effect from 8 November 1978.

The Port of Melbourne Authority is responsible for the operation of the port of Melbourne, including the construction and maintenance of docks, wharves and buildings, the dredging of shipping channels and the provision of cranes and mobile equipment for handling various types of cargo. To enable the Authority to carry out its functions, the lands and waterways within the designated port area have been vested in the Authority. These lands and waterways are not included as assets of the Authority in the Balance Sheet.

As referred to in my previous Report, preliminary expenditure had commenced prior to 30 June 1978 upon the establishment of a World Trade Centre within the port area. During 1978-79, further expenditure amounting to \$2 678 126 was incurred, total expenditure on the project up to 30 June 1979 being \$6 124 298. On 19 December 1978, the *Port of Melbourne (World Trade Centre) Act 1978* was passed, approving the construction of the World Trade Centre and authorising the incurring of expenditure by the Authority thereon.

The accounts of the Authority for the year ended 30 June 1979 have been audited.

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

The Authority's Revenue Accounts for the financial years 1977-78 and 1978-79 are shown in the following summary:

	<i>Revenue</i>	<i>1977-78</i>	<i>1978-79</i>
		\$	\$
Charges on Ships		4 438 260	4 824 239
Charges on Goods		17 794 520	20 617 640
Charges for Services—Cranes		2 089 493	2 476 941
Charges for Services—Other		373 726	402 225
Rents and Licence Fees from Lands		4 966 983	5 076 192
Other Revenue		954 130	833 075
		30 617 112	34 230 312
<i>Expenditure and Provisions</i>			
Payment to the Consolidated Fund		700 281	667 374
Operating Expenses		8 026 389	8 782 992
Maintenance		6 683 197	8 512 344
Interest on Loans		4 604 755	4 936 958
Administration		2 263 477	2 619 522
General Expenses		610 461	844 306
Provision for Depreciation		5 895 709	6 393 917
Provision for Insurance		537 363	427 980
		29 321 632	33 185 393
<i>Appropriation</i>			
Sinking Fund		1 000 000	800 000
	Surplus	295 480	244 919

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:

	<i>1977-78</i>	<i>1978-79</i>
	\$	\$
Depreciation.. .. .	1 105 846	1 201 763
Insurance	157 553	312 003
Superannuation Pensions	820 000	2 000 000
Service Grant Gratuities	100 000	50 000
Long Service Leave	450 000	500 000
	<hr/>	<hr/>
	2 633 399	4 063 766
	<hr/>	<hr/>

The following is a summary of the balance sheet for the year ended 30 June 1979, including comparative figures at 30 June 1978:

30.6.78		30.6.79
\$	<i>Assets</i>	\$
183 846 389	Works of Construction and Plant (at cost)	203 436 866
51 672 866	Less Provision for Depreciation	56 656 685
<u>132 173 523</u>		<u>146 780 181</u>
<i>Port of Melbourne Authority Fund</i>		
3 830	Cash in Hand	274 172
6 350 000	Short Term Investments (at cost)	17 207 296*
<u>6 353 830</u>		<u>17 481 468</u>
787 141	Less Bank Overdraft	1 740 237
<u>5 566 689</u>		<u>15 741 231</u>
1 918 044	Sundry Debtors	1 201 132
472 392	Advances for Housing	482 793
2 623 456	Materials in Stock (at cost)	2 813 381
<i>General Reserve Fund</i>		
3 956	Cash at Bank	25 532
2 060 000	Investments (at cost)	2 038 424†
<u>2 063 956</u>		<u>2 063 956</u>
<i>Sinking Fund</i>		
144 264	Cash in Hand .. .. .	..
(134 828)	Cash at Bank	4 427
1 965 684	Investments (at cost)	1 998 514‡
67 286	Accrued Interest	49 082
<u>2 042 406</u>		<u>2 052 023</u>
<i>Trust Accounts</i>		
53 315	Cash at Bank	21 364
<u>146 913 781</u>		<u>171 156 061</u>
<i>Liabilities</i>		
68 768 525	Loan Liability	86 447 891
4 451 104	Sundry Creditors and Accrued Liabilities	5 568 331
53 315	Trust Accounts	21 364
3 027 249	Superannuation Accounts	3 172 866
17 475 199	Capital Redemption Reserve	18 642 669
12 537 000	General Reserve	12 537 000
6 776 432	Depreciation Adjustment Reserve	8 817 920
10 946 596	Contributions by Lessees and Others to Capital Works Reserve	11 389 795
2 713 306	Provision for Superannuation Pensions and Service Grant Gratuities	3 714 560
1 035 884	Provision for Long Service Leave	1 134 247
5 082 994	Provision for Insurance	5 608 705
3 042 406	Sinking Fund for Redemption of Loan Liability	2 852 022
11 003 771	Accumulated Revenue	11 248 691
<u>146 913 781</u>		<u>171 156 061</u>

	\$
* Consisting of Deposits on Short Term Money Market	2 500 000
Interest Bearing Term Deposits	6 735 000
Bills of Exchange	7 972 296
	17 207 296
† Consisting of Interest Bearing Term Deposits	1 260 000
Bills of Exchange	778 424
	2 038 424
‡ Consisting of Semi-Government Inscribed Stock	917 976
Australian Savings Bonds	100 000
Interest Bearing Term Deposits	260 000
Bills of Exchange	720 538
	1 998 514

Superannuation

The Authority operates a staff superannuation scheme, governed by the Port of Melbourne Authority (Superannuation) Regulations, under which the Authority contributes a proportion of each pension paid.

The following is a summary of transactions within the Port of Melbourne Authority's Superannuation Accounts for the year ended 30 June 1979:

	\$	\$
Balance 1 July		3 027 248
<i>Add Receipts</i>		
Staff Contributions	637 088	
Portion of Pensions paid by Authority	840 003	
Interest	260 165	
Credits by Authority re Lump Sum Payments	147 868	
Other	182 055	
	2 067 179	
		5 094 427
<i>Less Payments</i>		
Pensions	1 071 601	
Lump Sum Payments (Equivalent to Portion of Pensions Converted)	496 375	
Refunds of Contributions	53 657	
Pension Supplementation Payments	149 329	
Other	150 599	
	1 921 561	
Balance 30 June		3 172 866

Interest is credited to the Superannuation Accounts at a rate equivalent to the average rate earned by the State Superannuation Board for the previous financial year, with a minimum of 3.75 per cent. as prescribed by the Regulations.

The actuary's report on the last triennial valuation in respect of the superannuation scheme, as at 30 June 1978, has not yet been received by the Authority.

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 1978 and 1979:

	30.6.78	30.6.79
	\$	\$
Estates—Protected Persons, Deceased Persons, Trusts and Agencies ..	53 217 655	63 955 027
Moneys held in Trust for Minors	4 182 497	4 649 137
Deposits by Trustees .. .. .	..	112 000
Unclaimed Moneys	2 162 392	2 287 087
Estates Guarantee and Reserve Account	3 173 197	3 619 377
Interest Reserve	900 000	950 000
Suspense—Amounts pending allocation or adjustment	3 976	6 359
Building Depreciation Account	32 714	39 367
	63 672 431	75 618 354

The Common Fund was invested as follows:

	30.6.78	30.6.79
	\$	\$
Inscribed Stock	7 389 600	8 789 600
Bank Term Deposit and Special Deposits	3 006 092	7 217 922
Loans to Municipal and other Statutory Bodies	3 824 222	3 805 292
Mortgages	45 200 991	51 375 571
Cash at Bank and in Hand	949 953	1 099 895
Land and Buildings	3 301 573	3 330 074
	63 672 431	75 618 354

An amendment to the *Trustee Act* 1958 to operate from 5 December 1978 provided for the investment of moneys held by Trustees, in the Common Fund of the Public Trustee. At 30 June 1979, \$112 000 had been lodged.

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 \$1 834 720 at 30 June 1979.

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 1979, a sum of \$3 330 074 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, \$534 929, were credited to the Building Operations Account for the year. After debiting operating expenses of \$132 636 in respect of the land and building at 168 Exhibition Street, Melbourne, and paying \$4 690 into the Building Depreciation Account, the balance of \$397 603 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 the cost of the administration of the Act.

Operations through the Suspense and Reserve Accounts for the financial years 1977-78 and 1978-79 were :

Interest Suspense Account

1977-78		1978-79
\$		\$
7 014 308	Income from investments	7 922 758
383 101	Transfer from Building Operations Account	397 603
..	Assessment Fees	650
7 397 409		8 321 011
	Appropriations—	
4 567 671	Interest allocated to estates	5 658 872
900 000	Provision for interest payable to estates	950 000
200 000	Estates Guarantee and Reserve Account	102 000
1 729 738	Consolidated Fund	1 610 139
7 397 409		8 321 011

Estates Guarantee and Reserve Account

2 670 097	Balance 1 July	3 173 197
307 613	Interest credited on balance	345 875
200 000	Transfer from Interest Suspense Account	102 000
3 177 710		3 621 072
4 513	Less Legal costs and other expenses	1 695
3 173 197	Balance 30 June	3 619 377

Moneys standing to the credit of the 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 \$367 423 compared with a surplus of \$536 880 in the preceding year. Particulars are :

1977-78		1978-79
\$		\$
	Receipts—	
1 518 525	Fees and Commission	1 600 689
1 729 738	Surplus—Interest Suspense Account	1 610 139
3 248 263		3 210 828
	Less Payments—	
2 143 185	Salaries and Allowances	2 272 195
18 736	Payments in lieu of Long Service Leave	44 990
108 457	Payroll Tax	114 759
25 961	Overtime and penalty rates	22 985
300 060	Rent	288 288
114 984	Administration expenses (net)	1 00 188
2 711 383		2 843 405
536 880	Surplus for the year	367 423

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 3 years were:

	1976-77	1977-78	1978-79
	\$	\$	\$
Consolidated Fund—			
Fees and Commission	1 406 349	1 518 525	1 600 689
Probate Duty	1 957 704	2 401 091	1 815 170
Surplus from Interest Suspense Account	1 463 616	1 729 738	1 610 139
Maintenance—Patients in Mental Hospitals	96 038	90 026	80 403
Postages, Stationery recouped	81 404	71 910	71 532
Sundry Receipts	19 047	..	6 136
	<u>5 024 158</u>	<u>5 811 290</u>	<u>5 184 069</u>
Treasury Trust Fund—			
Unclaimed Moneys	268 485	305 896	331 686

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. The report and recommendations of this committee were finalised on 9 February 1979 and copies were forwarded to the respective Departments.

Subsequently, at the request of the Public Trustee, the Secretary to the Law Department commissioned a firm of chartered accountants to carry out a further review to establish whether there is a need for the Public Trustee to maintain a separate Asset Control System. The conclusions arrived at by the firm of chartered accountants indicated that the Public Trustee should maintain such a 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, on an agency basis, of several special schemes of assistance including Natural Disasters Relief, Rural Reconstruction, Dairy Adjustment Program, Beef Industry Relief Assistance and Rural Adjustment Scheme.

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

Rural Finance Acts

The Commission has prepared a Profit and Loss Account for the financial year ended 30 June 1979 and a Balance Sheet as at that date in respect of its operations under Parts III and IV of the *Rural Finance Act* 1958 inclusive of agency transactions. Comparative details for the past two years are summarised hereunder:

1977-78	INCOME	1978-79
\$		\$
7 230 154	Interest on Loans	8 741 555
2 109 574	Interest on Temporary Investments	2 744 077
111 155	Application and Legal Fees	131 769
292 874	Agency Loans Repayments and Contributions on account of Administrative Expenses	171 296
17 898	Miscellaneous Income	10 738
9 761 655		11 799 435
	EXPENDITURE AND PROVISIONS	
6 016 990	Interest	7 006 182
1 454 322	Salaries	1 490 721
1 033 144	Other Administration Expenses	1 041 332
8 504 456		9 538 235
1 257 199	Operating Profit for Year	2 261 200
27 898	Add—Surplus on Sale of Residences .. .. .	..
1 285 097		2 261 200
	Less—	
70 697	National Debt Sinking Fund Contribution	70 697
4 607	Discounts and Expenses on Loans	2 299
53 966	Provision for Doubtful Debts	136 481
1 155 827	Surplus transferred to Profit and Loss Appropriation Account	209 477
		2 051 723

Profit and Loss Appropriation Account

1977-78	Profit and Loss Appropriation Account	1978-79
\$		\$
631 265	Balance 1 July	70 298
	Add—	
1 155 827	Surplus for the year	2 051 723
410 847	Amount provided from the Consolidated Fund pursuant to Section 25 (5) of the <i>Rural Finance and Settlement Commission Act</i> 1961	380 231
347 376	Principal Repayments of Agency Schemes applied to Administration Costs of previous years	119 264
2 545 315		2 621 516

1977-78		1978-79
\$	Less—	\$
475 017	Costs of Administration, Soldier Settlement and Land Settlement	469 444
500 000	Appropriation—General Reserve .. .. .	..
1 500 000	Appropriation—Loan Equalization Account	2 100 000
70 298	Balance 30 June	52 072

The transfer of \$2 100 000 to the Loan Equalization Account is for further lending under Part III of the *Rural Finance Act 1958*.

At 30 June 1978 and 1979 funds available to the Commission were :

1977-78		1978-79
\$		\$
	Loan Funds—	
91 789 020	Loan Liabilities—Treasurer of Victoria	98 235 406
	Other Funds—	
43 164 014	Advances—Treasurer of Victoria	43 512 738
1 000 000	Inscribed Stock	1 995 287
		45 508 025
317 807	Suspense Account	261 048
1 504 535	Sundry Creditors and Accrued Expenses	1795 994
43 826	Insurance Claims admitted but not paid	48 964
4 170 879	Reserve—National Debt Sinking Fund	4 498 471
1 942 929	Rural Finance Insurance Fund	2 093 338
146 967	Provision for Long Service Leave	140 924
3 599 961	Provision for Superannuation	3 956 815
2 895 306	Provision for Doubtful Debts	3 151 732
4 130 000	Loan Equalization Account	6 230 000
2 014 213	General Reserve	2 219 087
70 298	Profit and Loss Appropriation Account	52 072
156 789 755		168 191 876

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

\$		\$	\$
118 766 774	Loans and Advances		125 342 353
475 939	Contracts of Sale		277 720
3 241 296	Interest Due and Accrued		3 797 907
	Cash and Deposits—		
158 321	Cash on hand and at Treasury	46 272	
161 090	National Debt Sinking Fund Cash	57 978	
25 522 357	Temporary Investments	29 762 977	
			29 867 227
	Fixed Assets—		
354 939	Furniture and Office Equipment (at cost less Depreciation)	248 714	
80 816	Motor Cars (at cost less Depreciation)	76 990	
145 291	Residences and Offices (at cost less Depreciation)	139 663	
140 416	Farms at cost—awaiting disposal .. .. .	..
			465 367
	Prepayments and Sundry Debtors—		
27 803	Insurance Premium		28 386
10 642	Other		2 752
7 704 071	Investment Pool (at cost) on account of Provisions for Long Service Leave and Superannuation, General Reserve and Insurance Fund		8 410 164
156 789 755			168 191 876

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

Rural Finance Insurance Fund \$2 093 338. 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 past two years are shown below :

1977-78		1978-79	
\$		\$	\$
1 606 976	Balance at 1 July		1 942 929
<i>Add—</i>			
311 908	Premiums Raised	327 658	
155 002	Interest on Investments	184 334	511 992
<hr/>		<hr/>	
2 073 886			2 454 921
<i>Less—</i>			
138 852	Current Claims admitted	140 756	
123 067	Administration Expenses	89 379	
65 038	Statutory Contribution to Country Fire Authority	132 582	362 717
<hr/>		<hr/>	
1 746 929			2 092 204
196 000	<i>Add—</i> Claims Recovered		1 134
<hr/>		<hr/>	
1 942 929	Balance at 30 June		2 093 338
<hr/>		<hr/>	

Loans and Advances \$125 342 353. Particulars of loans and advances outstanding at 30 June 1979 are given below:

	\$	\$
<i>Rural Finance Act—</i>		
Part III—Primary Industries	35 878 435	
Part III—Secondary Industries	4 994 191	
Part IV—Rehabilitation	23 515	
<hr/>		40 896 141
<i>Agency Schemes—</i>		
Rural Reconstruction	30 783 649	
Dairy Adjustment Program	14 914 574	
Rural Adjustment	21 982 319	
Beef Industry Relief Assistance	3 449 903	
Natural Disasters	6 201 178	
Fruitgrowing Reconstruction	1 284 891	
General Agency Schemes	5 829 698	84 446 212
<hr/>		<hr/>
		125 342 353
<hr/>		<hr/>

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 \$11 780 658.

Agency Funds received by the Commission in 1978-79 from State and Commonwealth sources including balances on hand at 1 July 1978, amounted to \$14 469 074, of which \$13 005 155 was advanced during the year, as follows:

	\$	\$
Rural Reconstruction Scheme		14 329
<i>Dairy Adjustment Program—</i>		
Vats	509	
Other Assistance	118 636	
<hr/>		<hr/>
		119 145

	\$	\$
Rural Adjustment Scheme—		
Household Support	47 821	
Farm Build-up	6 775 946	
Farm Improvement	498 829	
Debt Reconstruction	1 677 895	
Rehabilitation	10 041	
Wine Grape Growers' Carry-On	21 500	
	<hr/>	9 032 032
Beef Industry Relief Assistance		293 920
Natural Disasters—		
Loans	3 094 633	
Road Freight Subsidies	108 050	
	<hr/>	3 202 683
Refund to Commonwealth of Dairy Carry-On Advances		46 019
General Agency—		
Loans	259 094	
Road Freight Subsidies to Beef Producers	37 933	297 027
	<hr/>	<hr/>
Total Expenditure		13 005 155

Temporary Investments, \$29 762 977, *And Investment Pool*, \$8 410 164.—A total of \$38 173 141 was invested by the Commission at 30 June 1979. Details are:

	\$
Short Term Money Market	2 150 000
Fixed Deposits with Banks	6 882 923
Australian Savings Bonds	100 000
Inscribed Stock—various registries	28 942 000
S.E.C. Extension Deposits	98 218
	<hr/>
	38 173 141

Soldier Settlement Act 1958

The *Soldier Settlement Act 1958* 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 1979, a sum of \$131 283 124 has been allocated for soldier settlement. Of this sum, \$116 885 718 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 1979 was \$21 727 445.

With the exception of \$2 836 037 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 1978–79, \$1 994 482 was so credited, bringing the total repayments to 30 June 1979 to \$83 823 401.

Principal assets of the Commission at 30 June 1979 were:

	\$
Land and improvements held by settlers under purchase lease	17 083 798
Advances to finance single unit farms	3 294 616
Advances to effect improvements and for purchase of stock etc.	2 363

In respect of Soldier Settlement, the Commission's Profit and Loss Account for 1978-79 shows:

<i>Expenditure—</i>	\$	\$
Interest	1 447 073	
Less Interest transferred and borne by the State	745 161	
	<hr/>	701 912
Administrative Costs		253 354
		<hr/>
		955 266
<i>Income—</i>		
Interest earned	435 356	
Rents, Fees and Sundries	4 652	
	<hr/>	440 008
Deficit for 1978-79		<hr/> <hr/> 515 258

The total accumulated deficit to 30 June 1979 amounted to \$31 290 756. 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 \$40 874 773 has been allocated for the purposes of the scheme. According to its books, the Commission's loan liability on account of land settlement, at 30 June 1979, was \$20 693 236—a reduction of \$20 181 537, made up as hereunder:

	<i>To 30.6.78</i>	<i>1978-79</i>	<i>Total</i>
	\$	\$	\$
Settlers' repayments to the Consolidated Fund	13 443 173	1 927 798	15 370 971
Borne by the State pursuant to Section 41	4 810 566	..	4 810 566
	<hr/>	<hr/>	<hr/>
	18 253 739	1 927 798	20 181 537

Assets of the Commission at 30 June 1979 were:

	\$	\$
Estates purchased and developed awaiting disposal		7 176 789
Unpaid balances under contracts of sale		18 306
Land and improvements held under purchase lease—Division 4		12 568 015
Advances to settlers—Division 6		116 995
Land and improvements under mortgage—Division 4		949 577
Capital expenses not allocated to estates		145 623
Interest and rents due and accrued		97 835
Other assets—		
Buildings and working plant (at cost <i>less</i> depreciation)	46 359	
Plant, materials, services and expenses not yet allocated	917 151	
Livestock	546 080	
	<hr/>	1 509 590
		<hr/> <hr/> 22 582 730

The Profit and Loss Account for the year ended 30 June 1979, excluding livestock transactions, shows:

Expenditure—

	\$
Interest and Loan-raising Expenses	1 677 639
<i>Less</i> Interest transferred and borne by the State under Section 41	319 063
	1 358 576
Administrative Costs	216 090
	1 574 666
<i>Income—</i>	
Interest earned, agistment, etc.	603 253
<i>Deficit</i>	971 413

The accumulated deficit to 30 June 1979, before taking into account profits from livestock trading, amounted to \$10 026 659. 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 \$372 989, (1978 \$128 150), thereby increasing the accumulated profit from this activity to \$1 126 559 at 30 June 1979.

In 1978-79, the Commission implemented changes in accounting treatment in relation to interest charges associated with the construction of the Loy Yang Power Station Project and depreciation of fixed assets financed by consumers' contributions. The effect of these changes was a reduction of \$9 278 276 in costs which in past years would have been allocated against operations. Details of the changes are set out hereunder:

1. Because of the magnitude of the new Loy Yang Power Station Project and the high level of financing charges to be incurred prior to the estimated "in-service" dates of the Project's generating units, the Commission resolved that interest costs related to the construction of the Project be temporarily capitalised under the item "Deferred Charges". Interest charges recorded under this item in 1978-79 totalled \$7 338 000. It is the intention of the Commission to develop a plan for the writing out of the deferred charges against future revenue to be derived from the operation of the Project. All other interest charges incurred by the Commission during the year were allocated direct to operations.
2. Non-refundable contributions received by the Commission from consumers towards the cost of capital constructions are credited to the reserve account "Contributions for Capital Works". In past years, these capital works have been depreciated along with other fixed assets, by an appropriate charge against revenue. As from 1 July 1978, the Commission determined that an annual allocation be made from the reserve account as a contribution towards the depreciation charge for fixed assets financed by non-refundable contributions. The effect of this accounting treatment in 1978-79 was a reduction of \$1 940 276 in depreciation charged to operations.

The Commission also determined that an adjustment by way of transfer from the reserve account "Contributions for Capital Works" to the General Reserve be made in respect of contributions for assets which had been depreciated by a charge to revenue in prior years. The amount transferred to the General Reserve in respect of prior years was \$5 679 319.

Financial Operations

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

1977-78		1978-79
\$	Sales Revenue—	\$
534 889 133	Electricity	625 939 020
12 449 374	Briquettes	12 692 742
753 997	Brown Coal	881 687
548 092 504		639 513 449
	Costs and Expenses incurred in earning revenue—	
237 881 207	Labour and Materials, etc.	301 652 613
78 925 384	Administration and General Services ..	81 867 907
75 361 030	Depreciation	77 205 245
109 414 853	Interest and Loan Flotation Expenses ..	130 573 332
377 492	Commonwealth Government Coal Research Levy	463 968
501 959 966		591 763 065
46 132 538	Net Revenue prior to Statutory Contributions to the Consolidated Fund	47 750 384
	Provision for Statutory Contributions to the Consolidated Fund	
21 520 000	Based on Total Revenue	25 080 000
722 803	Based on Brown Coal Production	760 908
22 242 803		25 840 908
23 889 735	Net Revenue available for Special Provisions and Appropriations	21 909 476
21 000 000	Appropriation for Financing Emergency Generating Plant	21 000 000
2 500 000	Appropriation for Insurance Reserve	2 500 000
1 000 000	Provision for Long Service Leave .. ..	..
24 500 000		23 500 000
(610 265)	Deficit funded from General Reserve ..	(1 590 524)

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 1978-79 compared with the previous year:

<i>1977-78</i>		<i>1978-79</i>	
\$		\$	\$
50 658 747	Profit on Electricity Supply	52 970 644	
287 460	Profit on Brown Coal Sales (Yallourn North Extension)	232 277	
<hr/>		<hr/>	53 202 921
50 946 207	Loss on Briquetting		3 855 182
3 416 501			<hr/>
<hr/>			49 347 739
1 019 676	Less—Excess of Miscellaneous Expenditure over Income	1 133 387	
377 492	Commonwealth Government Coal Research Levy	463 968	
<hr/>		<hr/>	1 597 355
1 397 168			<hr/>
46 132 538	Net Revenue prior to Provisions and Appropriations		47 750 384
<hr/>		<hr/>	<hr/>

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

Electricity Supply

Operational statements for the past two years show:

	\$	\$
	<i>1977-78</i>	<i>1978-79</i>
Sales—		
Domestic	185 147 815	213 662 888
Commercial and General	102 175 898	124 343 729
Industrial	128 616 361	151 905 558
Bulk Supplies	98 482 746	111 693 231
Traction	6 903 964	7 435 554
Public Lighting	7 556 618	8 782 108
Increase in Unread Consumption	6 005 731	8 115 952
	<hr/>	<hr/>
	534 889 133	625 939 020
Operating Charges—		
Power Generation	233 742 478	299 314 691
Purchased Electricity	25 831 223	34 959 099
Transmission	70 048 010	75 168 763
Distribution	154 608 675	163 525 823
	<hr/>	<hr/>
	484 230 386	572 968 376
Profit	<hr/>	<hr/>
	50 658 747	52 970 644
	<hr/>	<hr/>

Brown Coal Production and Distribution

Coal won for the year amounted to 30 931 221 tonnes, an increase of 1 548 992 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.

	1977-78	1978-79
	<i>Tonnes</i>	<i>Tonnes</i>
Morwell	15 267 691 (\$1.95)	15 701 025 (\$2.17)
Yallourn	13 902 976 (\$2.01)	14 974 897 (\$2.45)
Yallourn North Extension	211 562 (\$2.20)	255 299 (\$2.54)
	29 382 229	30 931 221

Distribution of the output was as follows :

	1977-78	1978-79
	<i>Tonnes</i>	<i>Tonnes</i>
Power Production	26 322 318	27 669 633
Briquette Manufacture	2 848 349	3 006 289
Sales to Public	211 562	255 299
	29 382 229	30 931 221

Briquetting

Trading results for the past two years, excluding costs charged on internal transfers to works, are shown in the following statement:

	1977-78	1978-79
	\$	\$
Sales—		
Domestic	4 048 293	3 817 271
Industrial	8 401 081	8 875 471
	12 449 374	12 692 742
Manufacturing Costs	11 109 062	12 072 048
Distribution and Selling	4 756 813	4 475 876
	15 865 875	16 547 924
Loss	3 416 501	3 855 182

Depreciation

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

	1977-78	1978-79
	\$	\$
Normal provision—charged to operations	73 801 426	75 517 789
Fixed Assets component of charges for services	1 872 354	2 352 347
Contribution from Reserve Account—		
Contributions for Capital Works .. .. .	..	1 940 276
	75 673 780	79 810 412
Amortisation—Development of open cuts—charged to operations	1 559 604	1 687 456
	77 233 384	81 497 868

The balance sheet shown on page 124 of this Report discloses that at 30 June 1979 the provision increased by \$72 915 279 compared with the figure at 30 June 1978. This net increase is explained hereunder:

	\$
Balance 30 June 1978	739 073 973
Add Provision for year as per statement above	79 810 412
	<hr/>
Less Retirements	818 884 385
	<hr/>
Balance 30 June 1979	811 989 252
	<hr/>

The greater portion of the provision for depreciation remains invested in the undertaking.

Interest

The following statement compares the interest charges for the past two years:

	1977-78	1978-79
	\$	\$
On—		
Capital Liabilities	100 622 951	108 716 652
Trade Credit Financing	4 335 838	14 326 106
Advances from Superannuation Fund	9 957 582	12 344 202
Advances for Capital Works	5 746 882	7 025 171
Yallourn Resettlement Trust	321 600	293 902
Insurance Reserve	95 000	153 798
Current Liabilities	24 588	109 727
Advances from Employees' Retirement and Benefit Fund	51 928	104 199
Acquisition Loans from Municipalities	68 399	51 861
	<hr/>	<hr/>
Less—Interest earned on Investments	121 224 768	143 125 618
	<hr/>	<hr/>
	12 249 046	6 986 796
	<hr/>	<hr/>
	108 975 722	136 138 822
	<hr/>	<hr/>

The net interest charges have been allocated in the accounts as follows:

	\$	\$
Direct to Operations	108 975 722	128 800 822
Deferred Charges—Interest during construction of Loy Yang Project .. .. .	..	7 338 000
	<hr/>	<hr/>
	108 975 722	136 138 822
	<hr/>	<hr/>

Contribution to Consolidated Fund

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 \$137 670 000 has been contributed by the Commission. Details are:

	\$
Contributions to 30 June 1978	116 190 000
Paid during 1978-79 from Provision set aside in 1977-78	21 480 000
	<hr/>
	137 670 000
	<hr/>

Financial Position

The Commission has varied the method of presentation of investments in the balance sheet for the year ended 30 June 1979. In previous years, funds invested externally at 30 June have been presented in the balance sheet as one item, "Investments—at cost". With effect from 1978-79, the Commission determined that investments held at balance date be classified in the balance sheet by reference to the special funds and trust monies represented by various classes of investment.

The following statement illustrates the manner in which investments at 30 June 1979 have been classified in the Commission's balance sheet. Amended figures in respect of the previous year are provided for comparative purposes.

	30.6.78	30.6.79
	\$	\$
Current Assets—		
Short-Term Deposits and Securities	27 349 822	9 645 582
Securities—Trust Deposits and Funds—		
Replacement of Yallourn Community Facilities	2 731 900	2 198 200
Superannuation Funds Awaiting Investment .. .. .	.. .. .	8 812 654
Contractors' and Consumers' Deposits	393 590	596 059
	3 125 490	11 606 913
Non-Current Assets—		
Securities—		
Loan Redemption Fund	28 753 100	29 815 800
Insurance Fund	1 000 000	1 134 050
Special Fund for Emergency Generating Plant	18 527 248	.. .. .
Total Investments	78 755 660	52 202 345

Details of investments held by the Commission making up the above Balance Sheet items at 30 June 1978 and 1979 are given hereunder:

	30.6.78	30.6.79
	\$	\$
Commonwealth Government Inscribed Stock	9 225 000	8 725 000
Semi-Government Securities	28 091 560	26 581 360
Victorian Municipal Securities	11 406 499	12 617 446
Commercial Bills	12 234 011	3 077 480
Bank Deposits	11 500 000	.. .. .
Official Short-Term Money Market	5 800 000	500 000
Contractors' and Customers' Deposits	393 590	596 059
Shares in Australian Char Pty. Ltd.	105 000	105 000
	78 755 660	52 202 345

Balance Sheet

The Commission's balances at 30 June 1978 and 1979 are summarised hereunder:

30.6.78		30.6.79
\$		\$
Current Assets—		
27 349 822	Short-Term Deposits and Securities	9 645 582
61 873 447	Accounts Receivable	59 536 988
44 873 507	Estimated Income from Unread Electricity Consumption	52 989 459
27 459 615	Materials and Fuel—at cost	31 478 643
3 125 490	Securities—Trust Deposits and Funds	11 606 913
<hr/>		<hr/>
164 681 881		165 257 585
Non-Current Assets—		
Securities—		
28 753 100	Loan Redemption Fund	29 815 800
18 527 248	Special Fund for Emergency Generating Plant .. ..	..
10 580 716	Deferred Charges	20 653 938
3 229 278	Real Estate Debtors	2 702 832
1 000 000	Securities—Insurance Fund	1 134 050
<hr/>		<hr/>
62 090 342		54 306 620
Fixed Assets—		
2 309 049 867	Assets—at cost	2 677 596 474
739 073 973	Less—Provision for Depreciation	811 989 252
<hr/>		<hr/>
1 569 975 894		1 865 607 222
18 970 936	Development of Open Cuts—Balance of cost..	17 866 070
<hr/>		<hr/>
1 588 946 830		1 883 473 292
<hr/>		<hr/>
1 815 719 053		2 103 037 497
Current Liabilities—		
(588 467)	Balances at Bank and Cash in Hand	478 937
36 468 485	Accounts Payable and Miscellaneous Accruals..	44 554 398
28 608 003	Interest Accrued	35 492 220
22 242 803	Provision for Statutory Contributions to the Consolidated Fund	25 880 908
8 742 907	Trust Deposits and Funds	18 555 707
<hr/>		<hr/>
95 473 731		124 962 170
Deferred Liabilities—		
242 637 031	Advances for Capital Works	363 651 190
668 228	Acquisition Loans from Municipalities	420 370
42 300 000	Provision for Long Service Leave	42 300 000
<hr/>		<hr/>
285 605 259		406 371 560
Reserves—		
21 008 660	General Reserve	25 848 904
57 241 502	Contributions for Capital Works	97 257 565
18 527 248	Special Finance for Emergency Generating Plant .. ..	..
5 758 000	Insurance Reserve	1 865 825
<hr/>		<hr/>
102 535 410		124 972 294
Capital Liabilities—		
1 012 033 799	Inscribed Stock and Debentures	1 130 846 512
320 070 854	Victorian Government Advances	315 884 961
<hr/>		<hr/>
1 332 104 653		1 446 731 473
<hr/>		<hr/>
1 815 719 053		2 103 037 497

The following is a re-statement (in abbreviated form) of the balance-sheets at 30 June 1978 and 1979 to show funds held by the Commission at the balance dates and the assets representing those funds:

	30.6.78	30.6.79	Variation
	\$	\$	\$
<i>Funds held—</i>			
External Borrowings (net)	1 475 246 605	1 690 040 003	+ 214 793 398
Superannuation Fund Advances	100 163 307	129 575 684	+ 29 412 377
Internal Funds	883 909 383	979 261 546	+ 95 352 163
	<u>2 459 319 295</u>	<u>2 798 877 233</u>	+ <u>339 557 938</u>
<i>Represented by—</i>			
Gross Fixed Assets	2 328 020 803	2 695 462 544	+ 367 441 741
Long Term Debtors	3 229 278	2 702 832	— 526 446
Deferred Charges	10 580 716	20 653 938	+ 10 073 222
Net Current Assets	38 732 838	27 855 574	— 10 877 264
Investments	78 755 660	52 202 345	— 26 553 315
	<u>2 459 319 295</u>	<u>2 798 877 233</u>	+ <u>339 557 938</u>

Deferred Charges

The marked increase in the amount temporarily capitalised under deferred charges in recent years reflects the higher level of expenses being incurred by the Commission in relation to specific capital projects the revenue-earning operations of which are to commence in later financial periods.

An analysis of items which have been capitalised in the past two years is furnished below:

	30.6.78	30.6.79
	\$	\$
<i>Loy Yang Power Station Project—</i>		
Interest during construction .. ..	.. ..	7 338 000
Liaison charges .. ..	.. ..	123 372
<i>Newport Power Station Project—</i>		
Boiler unit cancellation charge	4 700 000	4 700 000
Storage and other charges	92 149	1 649 341
<i>Trade Credit Financing—</i>		
Commitment and management fees	2 729 386	4 533 004
Deferred workers' compensation expense	2 913 000	2 112 544
Other expenses deferred pending allocation	146 181	197 677
	<u>10 580 716</u>	<u>20 653 938</u>

Fixed Assets

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

	30.6.78	30.6.79
	\$	\$
Coal Production	148 523 768	170 857 155
Briquette Production and Distribution	34 100 283	34 343 018
Power Production—		
Thermal Stations	834 782 526	1 019 404 313
Hydro Stations	90 184 814	98 348 749
Gas Turbine Station	13 478 752	57 029 404
Transmission System	398 897 448	423 096 047
Distribution System	603 697 120	661 056 349
General Service Assets	185 385 156	213 461 439
	<hr/>	<hr/>
Deduct Provision for Depreciation	2 309 049 867	2 677 596 474
	739 073 973	811 989 252
	<hr/>	<hr/>
Development of Open Cuts—Balance of cost	1 569 975 894	1 865 607 222
	18 970 936	17 866 070
	<hr/>	<hr/>
	1 588 946 830	1 883 473 292

Advances for Capital Works

The nature of the increase in the Commission's liability on account of advances for capital works compared with the previous year is illustrated in the following table:

	<i>Balance</i> 30.6.78	<i>Balance</i> 30.6.79	<i>Variation</i> <i>for Year</i>
	\$	\$	\$
Advances for Construction of Power Stations ..	76 642 903	170 035 501	+ 93 392 598
Customers' Advances for Capital Works ..	64 375 006	71 642 952	+ 7 267 946
Advances for Construction of Offices and Show-rooms	1 455 815	1 209 707	- 246 108
	<hr/>	<hr/>	
Advances from S.E.C. Superannuation Fund ..	142 473 724	242 888 160	+ 100 414 436
	100 163 307	120 763 030	+ 20 599 723
	<hr/>	<hr/>	
	242 637 031	363 651 190	+ 121 014 159

In addition to the liability of \$120 763 030 shown as advances from the S.E.C. Superannuation Fund, an amount of \$8 812 654, representing member contributions and other income at credit of the Fund's operating account at 30 June 1979, was advanced to the Commission for investment on behalf of the Fund and for payment of benefits. The Commission has recorded this amount as part of trust deposits and funds under the heading "Current Liabilities" in the balance sheet.

The value of trade credit utilised by the Commission under deferred payment financing agreements with contractors and financiers for works associated with the construction of power stations increased during 1978-79 by \$93 392 598. In most cases, amounts drawn down by the Commission in favour of contractors under the deferred payment arrangements have been financed in foreign currency and are recorded in the Commission's accounts at either the base rate incorporated in the contract order or at the exchange rate ruling at the time when proceeds of each

advance are received. The Commission's present policy is to account for exchange rate variations at the time when repayment of advances are made. Based on exchange rates ruling at 30 June 1979, the value of outstanding advances at that date was \$222 215 403, compared to the recorded balance of \$170 035 501, resulting in a contingent liability to the Commission in respect of exchange rate variations of \$52 179 902.

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

	1977-78		1978-79	
	\$	\$	\$	\$
Contributions received	13 859 134		13 891 425	
Interest credits	5 127 792		6 143 734	
	<hr/>	18 986 926	<hr/>	20 035 159
Less refunds of instalments and expired deposits		11 635 339		12 767 213
Net Increase		<hr/> 7 351 587		<hr/> 7 267 946

Provision for Long Service Leave

There was no appropriation to the provision for accruing long service leave in 1978-79. The accumulated provision at 30 June 1979 remained at \$42 300 000.

General Reserve

The increase of \$4 840 244 in the balance of this Reserve is accounted for as follows:

	\$	\$
Balance at 1 July 1978		21 008 660
<i>Add—</i>		
Transfer from reserve account "Contributions for Capital Works", being adjustment of contributions for fixed assets depreciated by a charge to revenue in years prior to 1978-79.. .. .	5 679 319	
Credit on account of contributions to the National Debt Sinking Fund for 1978-79 not payable by the Commission, and certain adjustments	751 449	
	<hr/>	6 430 768
		<hr/> 27 439 428
Less—Deficit Revenue Appropriation Account		1 590 524
Balance at 30 June 1979		<hr/> 25 848 904

Contributions for Capital Works

Non-repayable contributions received by the Commission from consumers towards the cost of capital constructions are credited to this Reserve.

In 1978-79, the credits to the Reserve included an amount of \$39 527 248, being portion of the total expenditure of \$43 550 652 incurred by the Commission during the year in connection with the construction of the Jeeralang Gas Turbine Power Stations. This portion of the total expenditure was financed from the reserve account "Special Finance for Emergency Generating Plant".

Details of the increase in the balance of the Reserve are shown below:

	\$	\$
Balance at 1 July 1978		57 241 502
<i>Add—Contributions received—</i>		
Jeeralang Gas Turbine Power Stations	39 527 248	
Underground reticulation etc.	8 108 410	
	<hr/>	47 635 658
		<hr/>
		104 877 160
<i>Less—Transfer to General Reserve—</i>		
Adjustment of depreciation charge for fixed assets in years prior to 1978–79	5 679 319	
Contribution to depreciation charge for 1978–79 ..	1 940 276	
	<hr/>	7 619 595
		<hr/>
Balance at 30 June 1979		97 257 565

The transfer to the General Reserve and the contribution to the depreciation charge for 1978–79 arose from the decision of the Commission to implement, with effect from the year under review, a change in accounting treatment of the depreciation charge for fixed assets financed by contributions received from consumers. Particulars of this change are given on page 117 under the heading “Overview of Results”.

Special Finance for Emergency Generating Plant

This Special Reserve was established by the Commission in 1976–77 to finance emergency gas turbine plant at Jeeralang 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.

Details of appropriations from revenue to the Reserve up to 30 June 1979 are set out below:

	\$
1976–77 (4 January to 30 June 1977)	11 006 000
1977–78	21 000 000
1978–79	21 000 000
	<hr/>
Total appropriations to 30 June 1979	53 006 000

The amounts of \$21 000 000 appropriated in 1977–78 and 1978–79 were based on the estimated surcharge revenue which would have been received by the Commission in 1976–77 had the surcharge applied for the whole of that year. Accordingly, the appropriations in 1977–78 and 1978–79 do not reflect additional revenue derived from increases in electricity consumption during those years.

Expenditure incurred by the Commission up to 30 June 1979 on construction of the two gas turbine power stations at Jeeralang totalled \$57 029 404. The shortfall of \$4 023 404 between the progressive expenditure and amounts appropriated to the Reserve was met in 1978–79 from general funds of the Commission.

Insurance Reserve

This Reserve was established by the Commission to meet the costs of compensation claims arising from the 1977 bush fires. The Reserve is also used 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 1978–79.

Details of the movements within the Reserve for the year are as follows:

	\$	\$	\$
Balance at 1 July 1978			5 758 000
<i>Add</i>			
Bush Fire Compensation Appropriation		2 500 000	
Self-Insurance Transfers			
Contract Works	1 153 798		
Public Liability	416 000	1 569 798	4 069 798
		<hr/>	<hr/>
			9 827 798
<i>Less—</i>			
Claims—			
Bush Fire Compensation		6 847 225	
Contract Works		1 114 748	
		<hr/>	<hr/>
			7 961 973
Balance at 30 June 1979			<hr/> <hr/> 1 865 825

Capital Liabilities

An overseas loan of \$34 359 340, representing a principal sum in foreign currency of 65 000 000 Swiss Francs, was raised by the Commission during the year. The proceeds of the loan have been used to finance capital works undertaken in connection with the Loy Yang Power Station, an approved development project under the Australian Loan Council's program for special overseas borrowings by semi-government authorities. Based on the exchange rate ruling at 30 June 1979, the Australian Dollar equivalent of the principal sum at that date was \$35 249 457, an increase of \$890 117 on the amount received by the Commission.

Loan moneys raised by the Commission during the year amounted to \$191 340 918. The sources of these moneys were:

	\$
Public Loans	110 515 678
Private Loans	45 070 100
Overseas Loan	34 359 340
Retired Staff Loans	1 395 800
	<hr/>
Total raisings	<hr/> <hr/> 191 340 918

The net increase in Commission loans in 1978–79 was \$118 812 713. The difference of \$72 528 205 between the total raisings of \$191 340 918, detailed immediately above, and the net increase represents the total of conversions and redemptions of matured loans and part-redemptions of current reducing loans.

The loan liability of \$315 884 961 to the Treasury at 30 June 1979 was determined after the deduction of \$57 955 621, the Commission's equity in the National Debt Sinking Fund. The increase in this equity during 1978–79 was \$3 800 364, in respect of which a credit of \$751 449 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.

Superannuation Funds

S.E.C. Superannuation Fund

The S.E.C. Superannuation Fund is a defined benefit superannuation scheme established by the Commission under the authority of the *State Electricity Commission Act 1958*.

In terms of the Rules governing the operation of the scheme, the Commission in its capacity as Trustee, is responsible for the administration of the Fund and bears all associated administrative costs with the exception of investment expenses which are met directly from the Fund.

Fund benefits are principally related to the period of contributing service of members and average salary during the final two years of membership.

The income of the Fund consists of contributions by the Commission and members and income derived from investments.

The following statement shows the movements within the Fund Account and details of the Fund's Net Assets for the past two years:

1977-78	1978-79
\$	\$
188 203 738	219 773 953
24 084 263	24 327 725
7 623 663	8 120 133
19 859 460	32 447 858
239 771 124	23 504 137
19 997 171	275 725 948
219 773 953	22 047 140
	253 678 808

The Fund was represented by :

Investments at Cost—	
100 403 828	120 763 030
37 205 600	37 205 600
(240 521)	8 812 654
Property—	
21 386 088	26 700 314
516 880	448 300
3 000 300	3 000 300
24 903 268	30 148 914
Mortgages—	
21 511 809	16 091 227
51 296	39 198
21 563 105	16 130 425
18 364 584	* 26 245 330

* Market Valuation 30 June 1979, \$27 745 863

1977-78		1978-79	
\$	Fixed Interest—	\$	\$
8 288 524	Company Debentures	7 991 185	
3 921 408	Commercial Bills .. .. .	..
254 008	Convertible Notes	364 971	8 356 156
<u>12 463 940</u>			
214 663 804	Total Investments		247 662 109
	<i>Plus—Accrued Income—</i>		
776 000	Contributions	773 503	
5 262 292	Investment Income	6 288 357	
..	Investment Redemption awaiting Settlement	505	7 062 365
<u>220 702 096</u>			<u>254 724 474</u>
	<i>Less—Accrued Expenditure—</i>		
777 206	Benefits Accrued and Unpaid	722 511	
139 178	Investment Purchases Awaiting Settlement	323 155	
11 759	Legal Fees Received in Advance .. .. .	..	1 045 666
<u>219 773 953</u>	Total Net Assets		<u>253 678 808</u>

In relation to the item "Mortgages" shown under the heading "Investments at Cost" in the above statement, the Trustee has included the following note in the notes forming part of the accounts of the Fund for the year ended 30 June 1979:

"Mortgages (Significant Item Since Balance Date)—a secured mortgage loan repayment of \$1 572 535 due on 4 July 1979 (at 30 June 1979 \$1 423 657) has not been made and, therefore, the mortgagor is in default. Legal processes have been instituted to protect the Fund's interests. As the final outcome will not be known for some time, it is impossible to assess the financial effect and the matter has therefore not been brought to account."

Commission Contributions

In terms of the Fund's Rules, the contribution to the Fund by the Commission must be at least twice the member rate of contribution. Members currently contribute 6.5 per cent. of salaries on a fortnightly basis.

Details of the Commission's total contribution to the Fund in 1978-79, \$24 327 725, are shown hereunder:

- (i) \$16 246 004—contributions funded at the rate of 2:1 of members' contributions (13 per cent);
- (ii) \$4 084 933—a separately expressed contribution, funded at the rate of 3.3 per cent. of superannuation payroll and applied to the reduction of the deficit disclosed in the actuarial review of the Fund at 30 June 1977; and
- (iii) \$3 996 788—the cost of supplementing pensions for variations in the cost of living. Pensions are increased annually as from 1 January, by the full percentage variation in the Consumer Price Index during the year ended on the previous 30 September.

The contributions referred to in (i) and (ii) above are retained within the Commission and are recorded in the Fund's accounts as investments under the heading "Advances to the Commission". These advances attract interest from the Commission at a guaranteed minimum rate of $\frac{1}{2}$ per cent. greater than the maximum semi-government interest rate for Victoria. Advances to the Commission at 30 June 1979 totalled \$120 763 030 and represented 48 per cent. of total net assets of the Fund.

Pension costs arising from variations in the cost of living, referred to in (iii) above, are met from the revenues of the Commission on a pay-as-you-go basis with no advance funding. The costs of future pension supplementations are, therefore, excluded from the periodic actuarial investigations into the state and sufficiency of the Fund.

Actuarial Review

A large actuarial deficit in the Fund became evident to the Commission in 1975 when an extensive revision resulted in an upgrading of Fund benefits.

An actuarial review of the Fund at 30 June 1977, completed during 1978-79, confirmed the existence of a large residual liability in respect of future basic benefits (i.e. benefits exclusive of pension supplementation). The actuary recommended that the level of deficit funding adopted by the Commission since 1975—5 per cent. of superannuation payroll—should be maintained but that the period of funding be reduced from 30 years to 20 years.

However, the recommendation of the actuary was not adopted and the Commission resolved that the additional contribution payable in long-term reduction of the deficit be reduced from 5 per cent. to 3.3 per cent. with effect from 1 July 1978 and the deficit funding period of 30 years be retained.

S.E.C. Employees' Retirement and Benefit Fund

The S.E.C. Employees' Retirement and Benefit Fund is a defined benefit plan administered by the Commission on behalf of wages award employees. Members' weekly contributions are supplemented by the Commission at the rate of \$2.00 for each \$1.00 of contributions. Benefits provided under the plan are by way of lump sum payment upon retirement, death or disability. With the exception of investment expenses, the costs of administering the Fund are borne by the Commission.

The following statement shows the movement within the Fund Account and details of the Funds Net Assets for the past two years:

1977-78	1978-79
\$	\$ \$
6 433 941	Balance of Fund at 1 July 7 989 800
<i>Plus—</i>	
1 568 708	Commission Contributions 1 761 682
781 106	Employee Contributions 877 038
<hr/>	<hr/>
747 786	Investment Income (net) 2 638 720
<hr/>	<hr/>
9 531 541	11 688 516
1 541 741	Less Benefit Payments 1 885 196
<hr/>	<hr/>
7 989 800	Balance of Fund at 30 June 9 803 320
<hr/>	<hr/>
The Fund was represented by—	
Investments at Cost—	
Property—	
2 097 519	Freehold (Less Provision for Depreciation on Plant, Equipment and Fittings) 2 346 876
750 075	Trusts 750 075
<hr/>	<hr/>
2 847 594	3 096 951
Fixed Interest—	
2 055 678	Company Debentures 1 986 668
151 100	Convertible Notes 107 350
<hr/>	<hr/>
2 206 778	2 094 018
1 734 955	Company Shares *2 979 532
767 425	Mortgages 934 730
524 372	Operating Account with Commission 835 712
<hr/>	<hr/>
8 081 124	Total Investments 9 940 943
<i>Plus—Accrued Income—</i>	
108 000	Contributions 104 332
83 449	Investment Income 106 690
<hr/>	<hr/>
8 272 573	211 022
<i>Less—Accrued Expenditure—</i>	
282 423	Benefits Accrued and Unpaid 348 645
350	Valuation Fees Unpaid 348 645
<hr/>	<hr/>
7 989 800	Total Net Assets 9 803 320
<hr/>	<hr/>

*Market Valuation 30 June 1979, \$3 195 981

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*.

The main functions of the Office are:

- (a) to enable employers to obtain policies of insurance which they are required to effect against their liability in relation to workers compensation under the *Workers Compensation Act 1958*, and
- (b) to enable the owners of motor cars to obtain contracts of insurance as required by the provisions of the *Motor Car Act 1958*, and contracts of insurance generally in relation to motor cars.

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.

Profit and Loss Account

Income and expenditure for 1978-79 in respect of each of the classes of insurance transacted by the Office, together with comparative figures for 1977-78, are summarised hereunder:

	<i>Employers Liability</i>		<i>Compulsory Third-party</i>		<i>Comprehensive Motor Vehicle</i>	
	1977-78	1978-79	1977-78	1978-79	1977-78	1978-79
	\$	\$	\$	\$	\$	\$
INCOME						
Premiums less Reinsurance	71 412 831	32 102 670	186 486 341	189 096 739	17 977 410	19 687 718
Less Adjustment to Provision for Claims Experience Discount ..	7 371 452	..	..	..	..	..
Less Adjustments of Provisions for Unearned Premiums ..	(3 517 554)	(23 318 037)	12 038 088	1 654 508	487 183	1 002 353
Earned Premiums ..	<u>67 558 933</u>	<u>55 420 707</u>	<u>174 448 253</u>	<u>187 442 231</u>	<u>17 490 227</u>	<u>18 685 365</u>
EXPENDITURE						
Incurred Claims ..	52 263 910	50 553 639	167 215 946	209 002 820	10 466 351	14 337 982
Expenses of Management including Commission	8 250 909	10 313 288	1 981 898	2 925 694	4 490 570	5 675 021
	<u>60 514 819</u>	<u>60 866 927</u>	<u>169 197 844</u>	<u>211 928 514</u>	<u>14 956 921</u>	<u>20 013 003</u>
Underwriting Surplus or (Deficit)	7 044 114	(5 446 220)	5 250 409	(24 486 283)	2 533 306	(1 327 638)
Loss ratio to earned premium	%	%	%	%	%	%
	69.7	91.2	95.9	111.5	59.8	76.7

A summary of the overall financial position of the Office for the financial years 1977-78 and 1978-79 is given hereunder:

	1977-78	1978-79
	\$	\$
Operating Income for year	259 497 413	261 548 303
Less—Expenditure	244 669 584	292 808 444
Underwriting Surplus (Deficit)	14 827 829	(31 260 141)
Add—Net Non-operating Income	46 847 155	64 938 240
Profit for year	61 674 984	33 678 099

Information in respect of each of the 3 classes of insurance business conducted by the Office follows:

Employers Liability

The deterioration in the underwriting result for the year, a deficit of \$5 446 220 compared with a surplus of \$7 044 114 in 1977-78, was chiefly attributable to:

- (a) writing back of substantial sums in respect of premiums where it was found that cover was not required by the policy holders,
- (b) an overall reduction in premium rates,
- (c) loss of business to the Office due to increased competition and a stricter attitude to credit, and
- (d) an increase in "Expenses of Management" mainly due to the "catch-up" provision contained in the *Stamps Act 1978*.

Comprehensive Motor Vehicle

Although earned premiums increased during the year this class of insurance resulted in an underwriting deficit of \$1 327 638 compared with a surplus of \$2 533 306 in 1977-78. The main reasons for the turn-around were:

- (a) an increase in Incurred Claims, from \$10 466 351 in 1977-78 to \$14 337 982 in 1978-79, due to an increase in both claims paid during the year and the estimated amount of outstanding claims at balance date; and
- (b) an increase in "Expenses of Management" mainly due to the "catch-up" provision contained in the *Stamps Act 1978* and the provision for Long Service Leave established for the first time this year.

Compulsory Third-party

Transactions for the year resulted in an underwriting deficit of \$24 486 283 compared with a surplus of \$5 250 409 in 1977-78. The result may be summarised as follows:

- (a) earned premium increased during the year by \$12 993 978, from \$174 448 253 in 1977-78 to \$187 442 231 in 1978-79;
- (b) an increase in Incurred Claims, from \$167 215 946 to \$209 002 820, due to a significant increase in both claims paid during the year and a 37.7 per cent. increase, from \$324 300 000 in 1977-78 to \$446 500 000 in 1978-79, in the estimates supplied by a firm of actuaries of the potential liability for outstanding claims at 30 June; and
- (c) an increase in "Expenses of Management" due mainly to increases in E.D.P. Expenses, Salaries and the provision for Long Service Leave established for the first time this year.

Premiums less Reinsurance

Changes in procedures in respect of Employers Liability business resulted in a significant reduction in the item Premiums less Reinsurance from \$71 412 831 in 1977-78 to \$32 102 670 in 1978-79. These changes were:

- (a) renewal premiums on business where the commencement of cover was beyond 30 June 1979 were not brought to account; and
- (b) the expiry date of Government and associated policies was amended from 30 June to 1 July so that these premiums were also not brought to account.

In addition, considerable business was lost by the Office due to competition in premium rates and a stricter attitude towards extension of credit.

These changes were also reflected in the reduction of the Balance Sheet items—"Sundry Debtors including outstanding premiums" and "Provision for Unearned Premium".

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 1977-78 and 1978-79 in respect of each class of insurance are given in the following statement:

	<i>Employers Liability</i>		<i>Compulsory Third-party</i>		<i>Comprehensive Motor Vehicle</i>	
	<i>1977-78</i>	<i>1978-79</i>	<i>1977-78</i>	<i>1978-79</i>	<i>1977-78</i>	<i>1978-79</i>
	\$	\$	\$	\$	\$	\$
Claims paid during year ..	33 638 910	34 914 639	64 315 946	86 802 820	10 777 503	13 442 244
Add claims unpaid 30 June	144 717 000	160 356 000	324 300 000	446 500 000	3 434 338	4 330 076
	<u>178 355 910</u>	<u>195 270 639</u>	<u>388 615 946</u>	<u>533 302 820</u>	<u>14 211 841</u>	<u>17 772 320</u>
Less claims unpaid 1 July	126 092 000	144 717 000	221 400 000	324 300 000	3 745 490	3 434 338
Incurred Claims ..	<u>52 263 910</u>	<u>50 553 639</u>	<u>167 215 946</u>	<u>209 002 820</u>	<u>10 466 351</u>	<u>14 337 982</u>

The Outstanding Claims provisions for Employers Liability and Compulsory Third-party at 30 June 1979 were established principally on the bases recommended by an independent actuary. However, certain adjustments were made to the recommendations as follows:

	<i>Employers Liability</i>	<i>Compulsory Third-party</i>
	\$	\$
Actuary's Recommendation	143 308 000	442 600 000
Add—Expenses of handling outstanding claims	10 540 000	3 900 000
Special Incurred but not reported (I.B.N.R.) provision for Industrial Deafness	3 500 000	..
Special I.B.N.R. provision for Asbestosis	1 000 000	..
Allowance for increased cost of claims outstanding due to new benefits	2 282 000	..
Less—Reinsurance recoverable	274 000	..
	<u>160 356 000</u>	<u>446 500 000</u>

The Outstanding Claims provision for Comprehensive Motor Vehicle at 30 June 1979 of \$4 330 076 was calculated by the State Insurance Office.

Expenses of Management

Expenses of Management include Salaries, E.D.P. Expenses, Commission etc. as well as the following items:

	1977-78	1978-79
	\$	\$
Audit Fees	39 130	39 565
Increase in Provision for Doubtful Debts	2 900 000	690 881
Long Service Leave Provision .. .. .	..	1 138 734
Registration Fees (Less Stamp Duty recouped)	178 210	4 685 657

The audit fees shown above were those paid for the services of my Office. In addition, a firm of chartered accountants was engaged by the Insurance Office. The fees paid to this firm in 1978-79 to carry out internal audit functions and associated consultancy services amounted to \$196 434.

The amount provided in 1978-79, \$690 881, maintained the provision for doubtful debts at a prudent level. Bad debts totalling \$858 303 were written off against the provision in 1978-79.

The Long Service Leave provision was established during the current year. The calculation covers all officers and employees of the Office.

Registration Fees (previously licence fees) increased substantially during the year due to the "catch-up" provision contained in the *Stamps Act* 1978 proclaimed to operate from 1 January 1979.

Net Non-operating Income

Net Non-operating Income is made up as follows:

	1977-78	1978-79
	\$	\$
Interest on Investments	45 623 991	64 829 526
Rents	461 438	512 191
Underwriting Commissions	929 537	2 029 181
Net losses on sale or redemption of Investments	(167 811)	(2 432 658)
	46 847 155	64 938 240

The substantial increase in Net Non-operating Income from \$29 485 299 in 1976-77 to \$46 847 155 in 1977-78 and to \$64 938 240 in 1978-79 was mainly attributable to higher interest earnings resulting from the significant increase in the investment of funds held by the Office.

APPROPRIATION ACCOUNT

	1977-78		1978-79	
	\$	\$	\$	\$
PROFIT FOR YEAR—				
Employers Liability	23 938 289	16 263 524		
Compulsory Third Party	32 928 979	15 872 002		
Comprehensive Motor Vehicle	4 807 716	1 542 573		
	61 674 984	33 678 099		

	1978	1979
	\$	\$
APPROPRIATIONS AND TRANSFERS—		
Contribution to Consolidated Fund ..	15 000 000	15 927 157
General Reserve —		
Employers Liability	11 503 465	8 575 116
Comprehensive Motor Vehicle ..	2 257 490	807 303
Transfer to Accumulated Loss—		
Compulsory Third Party	32 914 029	8 368 523
	61 674 984	33 678 099

Balance Sheets

Abridged Balance Sheets of the Office at 30 June 1978 and 1979 are given below:

30.6.78		30.6.79
\$		\$
<i>Assets</i>		
Current—		
54 320 517	Sundry Debtors	17 576 714
3 367 901	Less—Provision for Doubtful Debts ..	3 200 479
		14 376 235
50 952 616	Registration Fee in Advance	111 818
2 872 058	Interest and Rents Accrued	18 937 920
15 039 487	Nominal Defendant Advance	135 636
35 636		
Investments—		
582 023 388	Government and Other Authorised Securities	750 390 776
7 830 727	Freehold Land and Buildings (at cost) ..	10 377 993
	Less—Provision for Depreciation on Buildings and Plant	305 330
		10 072 663
Fixed (at cost)—		
5 738 877	Freehold Land and Buildings	5 767 290
1 198 777	Less—Provision for Depreciation on Buildings and Plant	1 405 700
		4 361 590
4 540 100		
702 448	Furniture, Office Equipment and Motor Cars	733 851
227 082	Less—Provision for Depreciation	147 759
		586 092
475 366		
3 098 752	Computer Installation	3 252 205
1 443 936	Less—Provision for Depreciation	2 100 050
		1 152 155
1 654 816		
665 424 194		800 124 885

Liabilities and Funds

Current—		
4 785 476	Bank Overdrawn	4 478 489
507 964	Sundry Creditors	5 120 533
15 000 000	Contribution to Consolidated Fund	16 033 629
Provisions—		
131 390 176	Unearned Premiums	110 729 000
472 451 338	Outstanding Claims	611 186 076
12 000 000	Claims Experience Discount	4 481 517
179 264	Reinsurance Premiums	179 264
439 373	Building Maintenance	356 097
..	Long Service Leave	1 138 735
Reserves—		
24 774 382	General Reserve—Employers Liability	33 349 498
16 945 322	Comprehensive Motor Vehicle	17 752 625
(13 049 101)	Accumulated Losses—Compulsory Third-party	(4 680 578)
665 424 194		800 124 885

Sundry Creditors

The increase in Sundry Creditors from \$507 964 at 30 June 1978 to \$5 120 533 at 30 June 1979 occurred mainly due to:

- (a) bringing to account creditors totalling \$3 453 414 being refunds due to Employers Liability policy holders on adjustment of premium,
- (b) increase in the advance repayable to State Treasury on account of the Government Fire Pool insurance from \$88 360 at 30 June 1978 to \$250 187 at 30 June 1979, and
- (c) superannuation contributions payable to State Treasury on account of ex-employees of State Insurance Office, totalling \$243 707.

Investments

Funds invested by the Office increased substantially in recent years. Investments at 30 June in each of the last 4 years were as follows:

<i>30 June</i>	\$
1976	253 373 807
1977	400 431 728
1978	589 854 115
1979	760 463 439

The majority of funds available for investment were generated by:

- (a) a surplus cash flow from Compulsory Third-party insurance amounting to \$102 293 919. In 1978-79, premiums less reinsurance amounted to \$189 096 739 whilst claims paid totalled \$86 802 820, and
- (b) the substantial increase in interest received from investments.

A comparison of the classes of investments held at 30 June 1978 and 1979 is detailed hereunder:

	<i>30.6.78</i>	<i>30.6.79</i>
	\$	\$
Commonwealth Government Securities	51 237 198	44 562 976
Commonwealth Semi-Government Authorities	44 039 858	41 039 858
Victorian Semi-Government Authorities	262 801 103	397 676 353
Victorian Local Government Authorities	8 904 281	14 138 265
Interstate Semi-Government Authorities	96 348 842	108 818 994
Bank Term Deposits	59 612 810	68 399 998
Bank Accepted Commercial Bills	41 606 796	31 542 332
First Mortgages	9 472 500	21 712 000
Land and Property held for Investment	7 830 727	10 072 663
Deposits on Official Short-term Money Market	8 000 000	2 500 000
Company Debentures .. ..	..	20 000 000
	<hr/>	<hr/>
	589 854 115	760 463 439

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. In addition, the Board is responsible for the administration of the *Constitution (Governor's Pension) Act 1978*.

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 1978-79 at page 175).

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 1978 has been completed and the audit for the year ended 30 June 1979 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.

1977-78		1978-79	
\$	RECEIPTS	\$	\$
	Contributions—		
50 725 497	Current (net)	59 558 155	
18 494	Deferred	2 615	
		59 560 770	
58 531 912	Payments from the Consolidated Fund ..	67 623 559	
23 589 052	Interest on Investments	26 097 832	
43 705	Insurance Commission	10 785	
100 076	Mortgage Reserve Account Premiums ..	156 039	
2 330 026	Property Revenue (net)	3 661 708	
..	Underwriting Commission	10 000	
..	Miscellaneous	100	
135 338 762		157 120 793	
	DISBURSEMENTS		
61 547 293	Pensions	69 885 935	
	Lump Sum Payments—		
493 376	Limited and ill-health Contributors ..	626 005	
23 016 526	Cash Options	23 472 008	
		24 098 013	
12 818 752	Pensions Supplementation Fund—Statutory		
	Transfer	14 944 687	
112 812	Interest on Refunds of Reserve Units Con-		
	tributions	118 849	
221 802	Assurance Premiums (net)	195 834	
(1 670)	Valuation Fees (net)	2 188	
147 853	Reserve Units Account (net)	241 618	
98 356 744		109 487 124	
36 982 018	Surplus of Receipts over Disbursements ..	47 633 669	
337 836 875	Balance (including Investments) 1 July ..	374 818 893	
374 818 893	Balance 30 June	422 452 562	

The provisional figures furnished by the Board for 1978-79 indicate that investments during the year, other than short-term investments, amounted to \$84 209 912, including payments in connection with properties acquired, \$6 060 984.

FORM OF ACCOUNTS

In his 1975 Supplementary Report, my predecessor advised that arrangements had not then been completed for the introduction of the accrual accounting necessary for the preparation of Revenue Accounts and Balance Sheets. I express my concern that the preparation of a Revenue Account and Balance Sheet has still not been achieved and I stress the necessity to introduce accrual accounting procedures and meaningful financial reports.

ELECTRONIC DATA PROCESSING

The computer facilities available to the State Superannuation Board are provided by the Local Authorities Superannuation Board.

In 1979, an audit review of certain aspects of the computerised procedures adopted by the State Superannuation Board was undertaken. Several weaknesses in internal and computer controls were disclosed by the audit review team and a comprehensive report was forwarded to the Treasurer. Included in the report were the following recommendations:

- (1) The establishment and terms of reference of Computer Committees should be formally approved by the Board. Committee recommendations should be submitted to the Board for consideration;
- (2) whenever a substantial computer undertaking is contemplated the Board should ensure that the project is supported by a feasibility study;
- (3) a system of internal control should be established to monitor computer costs; and
- (4) service arrangements with the Local Authorities Superannuation Board should be formalised by means of a contract.

ACTUARIAL VALUATION

The triennial investigation of the Fund due as at 30 June 1977 is still in progress

Pensions Supplementation Fund

This Fund was established pursuant to the *Pensions Supplementation Act 1966* to meet the cost of supplementing, 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 1977-78:

1977-78		1978-79
\$		\$
	Income—	
	Statutory Transfer—	
12 907 503	Superannuation Fund	15 023 379
2 239 420	Police Pensions Fund	2 528 626
22 039 613	Consolidated Fund	27 957 578
591	Interest on Current Account	647
<hr/>		<hr/>
37 187 127		45 510 230
	Expenditure—	
37 183 861	Pensions	45 505 626
<hr/>		<hr/>
3 266	Surplus	4 604
<hr/>		<hr/>

The Accumulated Funds at 30 June 1978 and 1979 respectively were represented by:

30.6.78		30.6.79
\$		\$
	Assets—	
19 991	Cash at Bank	24 596
	Accruals—	
306 174	Superannuation Fund	384 866
53 808	Police Pensions Fund	63 984
547 632	Consolidated Fund	733 534
<hr/>		<hr/>
927 605		1 182 384
		<hr/>
	Less Liabilities—	
907 614	Pensions approved but unpaid	1 182 384
<hr/>		<hr/>
19 991	Accumulated Funds	24 596
<hr/>		<hr/>

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			
1977-78		1978-79	
\$		\$	\$
3 312 711	Balance 1 July .. .. .	..	3 716 205
	Contributions—		
579 759	Officers	571 388	
92 906	Consolidated Fund—Lump Sums	88 611	
			659 999
306 691	Interest on Investments .. .. .	..	423 185
4 292 067			4 799 389
PAYMENTS			
182 695	Lump Sum Payments .. .. .	..	155 224
7 100	Annuities .. .. .	..	6 787
	Contributions Refunded, Section 15—		
245 695	Officers	292 318	
8 404	Consolidated Fund	4 352	
			296 670
131 968	Transfer to Superannuation Fund, Section 16 .. .. .	..	61 413
3 716 205	Balance 30 June .. .. .	..	*4 279 295
4 292 067			4 799 389

* Consisting of Inscribed Stock \$830 416, Mortgage \$3 107 000, Short Term Deposits \$250 000 and Cash at Bank \$91 879.

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 5-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.

The audit of the accounts of this Fund is undertaken by the Auditor-General at the request of the Treasurer.

Transactions for 1977-78 and 1978-79 were:

RECEIPTS			
1977-78		1978-79	
\$		\$	\$
4 532 657	Balance 1 July .. .. .	..	6 687 904
	Contributions—		
385 851	Members	413 547	
2 441 992	Consolidated Fund	3 279 992	
		—————	
672 971	Interest on Investments .. .. .	..	3 693 539
			903 819
<u>8 033 471</u>			<u>11 285 262</u>
PAYMENTS			
1 005 513	Pensions .. .. .	..	1 089 060
339 137	Lump Sum Payments .. .. .	..	743 164
..	Refund of Contributions .. .. .	..	84 687
917	Suspense .. .. .	..	..
	Repayments from Supplementary Retirement Account—		
..	Contributions	328	
..	Interest	132	
		—————	
6 687 904	Balance 30 June .. .. .	..	460
			*9 367 891
<u>8 033 471</u>			<u>11 285 262</u>

* Consisting of Inscribed Stock \$200 000, Mortgages \$6 006 000, Short Term Deposits \$3 136 536 and Cash at Bank \$25 355.

The contribution of \$3 279 992 from the Consolidated Fund is the amount certified by the actuary appointed by the Trustees as the amount required to be paid to the Parliamentary Contributory Retirement Fund in terms of Section 13 of the Act.

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.

The figures shown hereunder in respect of 1978-79 are subject to audit.

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

	1977-78	1978-79
	\$	\$
Balance 1 July	4 655	5 468
RECEIPTS		
Treasurer of Victoria—advances under Works and Services Acts ..	3 800 000	3 800 000
Education Department—rent collections	1 768 885	2 027 331
Interest on short term deposits	63 688	112 805
Sales of land and houses	29 696	194 213
Sundry Tenants—rent collections	33 793	51 413
Other	1 183	6 626
	5 701 900	6 197 856
PAYMENTS		
Capital expenditure	2 889 694	2 054 650
Maintenance and rates	1 565 803	1 590 531
Investments .. .. .	..	1 161 388
Administration	222 225	245 863
Payments to Consolidated Fund		
Interest	688 937	645 750
Repayment	179 429	338 613
Interest on Private Loans	106 488	102 442
Redemption of Private Loans	39 576	40 325
Other	4 280	5 742
	5 696 432	6 185 304
Balance 30 June	5 468	12 552

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 last of such instalments amounting to \$164 427 was paid in June 1979, together with debt charges due in 1978-79 of \$819 936.

Statements of the Revenue Account in respect of the years 1977-78 and 1978-79 are summarised on the following page.

	1977-78	1978-79
	\$	\$
INCOME		
Rent charged	1 786 131	2 093 185
Maintenance Grant	650 000	650 000
Income from Short Term Investments	63 688	118 805
	<u>2 499 819</u>	<u>2 861 990</u>
EXPENDITURE		
Interest paid	665 257	748 193
Maintenance	1 207 848	1 294 154
Rates	371 297	417 327
Agents' Commission	5 041	8 309
Depreciation	178 195	212 364
Administration	199 460	236 281
Miscellaneous	866	2 190
	<u>2 627 964</u>	<u>2 918 818</u>
Deficit for the year	<u>128 145</u>	<u>56 828</u>

The Balance Sheets at 30 June 1978 and 1979 are summarised hereunder.

	30.6.1978		30.6.1979	
	\$	\$	\$	\$
LIABILITIES				
Government of Victoria	20 390 000		23 540 000	
<i>Less Repayments</i>	682 114		882 096	
	<u>19 707 886</u>		<u>22 657 904</u>	
Private Loans	1 001 527		961 201	
Contribution from Commonwealth Government— <i>States Grants (Schools)</i> <i>Act 1973</i>	600 000		600 000	
		21 309 413		24 219 105
Depreciation Reserve		<u>880 362</u>		<u>1 086 462</u>
Current Liabilities				
Creditors	318 432		300 554	
Rents in Advance	8 161		3 175	
		<u>326 593</u>		<u>303 729</u>
		<u>22 516 368</u>		<u>25 609 296</u>
<i>Less Accumulated Deficit</i>		<u>1 786 692</u>		<u>1 843 520</u>
		<u>20 729 676</u>		<u>23 765 776</u>
ASSETS				
Fixed Assets				
Land and Buildings	20 669 927		22 510 109	
Furniture and Fittings	13 559		9 512	
Equipment and Motor Vehicle	8 584		8 488	
Designs and Plans	18 800		14 100	
		<u>20 710 870</u>		<u>22 542 209</u>
Investments—Short Term Bank Deposits				1 161 388
Current Assets				
Cash at Bank and on Hand	5 488		12 572	
Debtors	12 718		38 777	
Stock	600		4 829	
Interest Accrued—Investments .. .. .	..		6 001	
		<u>18 806</u>		<u>62 179</u>
		<u>20 729 676</u>		<u>23 765 776</u>

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* 1978 which received Royal Assent in December 1978 provides, *inter alia*, that:

- (i) the Board shall not expend moneys for capital works, development projects and repayments of amounts borrowed without the approval of the Minister. The approval of the Minister is also required for expenditure relating to the establishment of additional offices or agencies, the making of additions or extensions to existing offices or agencies, and the purchase of any new assets or equipment.
- (ii) audited accounts of the Board shall be presented to Parliament by the Minister; and
- (iii) the Board shall obtain the prior approval of the Minister and the Treasurer for any borrowings.

In December 1978, the Board sought proposals from a number of companies for computer equipment to replace the head office central system. The new system is now expected to come into operation in October 1980, and to have an overall cost of \$18 339 000 inclusive of \$11 496 000 already spent for cash office terminals.

On 25 June 1979, the new CRISP Telephone Betting System came into operation thereby increasing the capacity of the Telephone Betting System from a maximum of 60 000 accounts to a maximum of 200 000 accounts. When fully implemented the system is expected to have cost approximately \$4 700 000.

As determined by the Board, the accounts were balanced to 28 July 1979.

Turnover for the financial year ended 28 July 1979 amounted to \$585 279 125 compared with \$570 821 358 in the previous year.

Following is a statement of Profit and Loss, showing the surplus funds available for distribution for the financial years ended 29 July 1978 and 28 July 1979:

	1977-78		1978-79	
	\$	\$	\$	\$
INCOME				
Commission on totalizator investments		48 511 958		49 741 483
Manual Dividends not paid after 26 weeks	344 862		327 389	
Rimfire Dividends not paid after 13 weeks	2 361 757		2 503 819	
Interest on investments	1 284 626		1 116 504	
Rents receivable	81 299		190 563	
Functions and Cafeteria Sales	118 540		97 936	
Miscellaneous	68 550		66 931	
		4 259 634		4 303 142
		52 771 592		54 044 625
EXPENDITURE				
Salaries		7 933 231		8 820 930
Superannuation		578 198		695 799
Payroll Tax		389 089		426 368
Workers Compensation		93 410		101 762
Miscellaneous		37 526		72 240
Agents' Fees and Commission		11 037 713		10 117 099
				11 171 863

	1977-78		1978-79
	\$	\$	\$
Depreciation—			
Freehold Land and Buildings	399 407		548 490
Leasehold Improvements	321 833		291 402
E.D.P. Systems	683 599		482 028
Motor Vehicles, Plant, Machinery, Furniture and Fittings	126 561		272 366
	<u>1 531 400</u>		<u>1 594 286</u>
Provisions for—			
Long Service Leave	55 082		332 986
Annual Leave	(10 040)		66 728
Agents' Fees Equalisation	23 000		..
	<u>68 042</u>		<u>399 714</u>
Communication Costs	1 269 516		1 300 980
Rent and Rates	1 485 971		1 737 290
Printing and Stationery	1 282 845		1 451 540
Repairs and Maintenance—			
Premises	857 273		811 633
Computer Systems	619 553		754 051
	<u>1 476 826</u>		<u>1 565 684</u>
Travelling and Accommodation	371 262		420 053
Power	249 625		309 806
Insurance	139 906		163 974
Advertising	231 587		312 802
Cafeteria Purchases	106 423		66 400
Security	233 589		212 219
Miscellaneous	500 796		417 928
	<u>29 016 955</u>		<u>31 241 638</u>
Surplus	23 754 637		22 802 987
	<u>52 771 592</u>		<u>54 044 625</u>
Surplus available for Distribution :			
Surplus as above	23 754 637		22 802 987
Add Transfers from Reserves—			
Distribution	371 360		443 928
Asset Replacement	128 450		38 700
	<u>24 254 447</u>		<u>23 285 615</u>
Less Transfers to Reserves—			
Development	3 718 447		2 390 615
Late Dividends	276 000		262 000
Agents' Fees Equalisation	127 000		..
Insurance	10 000		..
Agents' Insurance	2 000		2 000
	<u>4 133 447</u>		<u>2 654 615</u>
Funds available for Distribution	<u>20 121 000</u>		<u>20 631 000</u>

The Board's balances at 29 July 1978 and 28 July 1979 are summarised hereunder:

	1977-78			1978-79		
	\$	\$	\$	\$	\$	\$
Capital—						
Contributing Clubs			6 059 807			6 059 807
Reserves and Provisions—						
Development			14 850 779			17 241 394
Late Dividends			2 666 000			2 928 000
Distribution			443 928			..
Long Service Leave (Note No. 5) ..			664 247			1 097 232
Annual Leave			348 782			415 510
Software Exchange			241 200			241 200
Agents' Fees Equalisation (Note No. 4)			127 000			..
Greyhound Account			344 641			344 641
Replacement of Assets (Computers) ..			38 700			..
Agents' Insurance			34 884			36 884
Insurance			35 000			35 000
			19 795 161			22 339 861
Funds available for Distribution						
Surplus			20 121 000			20 631 000
Less Advances of first charge						
Administration costs .. 3 390 707				3 583 265		
Advances Spring Racing Stakes 328 672				347 784		
			3 719 379			3 931 049
			16 401 621			16 699 951
Total Funds			42 256 589			45 099 619
Represented by :						
<i>Fixed Assets</i>						
Freehold land and buildings (at cost)			17 429 216			17 451 395
Less provision for depreciation ..			2 540 985			3 036 509
			14 888 231			14 414 886
Leasehold improvements (at cost) ..			3 962 919			4 121 589
Less provision for depreciation ..			3 143 757			3 318 929
			819 162			802 660
CRISP cash wagering system (at cost)			9 279 897			11 495 800
Less provision for depreciation .. ..			..			..
			9 279 897			11 495 800
CRISP Telephone betting system (at cost)			2 211 000			4 142 999
Less provision for depreciation (Note No. 3)			13 685			129 985
			2 197 315			4 013 014
Carbine Computer Systems (at cost)	12 727 798			12 727 798		
Less provision for depreciation ..	12 148 449			12 514 177		
			579 349			213 621
			12 056 561			15 722 435
Motor vehicles, plant, machinery, furniture and fittings (at cost) ..			1 960 487			2 522 464
Less provision for depreciation ..			922 499			1 024 148
			1 037 988			1 498 316
			28 801 942			32 438 297

	1977-78		1978-79	
	\$	\$	\$	\$
<i>Current Assets</i>				
Cash on hand and at bank ..	2 933 547		3 160 156	
Interest bearing term deposits ..	17 050 000		14 221 953	
Funds on official short term money market	450 000		2 838 534	
Sundry debtors	112 988		64 144	
Prepayments	260 806		267 740	
Interest accrued	404 849		324 964	
Stock of equipment spares ..	72 610		86 567	
	<u>21 284 800</u>		<u>20 964 058</u>	
	50 086 742		53 402 355	
<i>Less Liabilities</i>				
Amounts payable to Treasurer of Victoria	1 420 013		1 743 490	
Dividends payable on totalizator investments	2 628 502		2 795 955	
Telephone betting deposits held	1 986 741		2 208 045	
Creditors and accrued expenses ..	1 794 897		1 555 246	
	<u>7 830 153</u>		<u>8 302 736</u>	
	<u>42 256 589</u>		<u>45 099 619</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 \$7 350 000 for CRISP and \$150 000 for Head Office Building Project.
2. Retention moneys of \$30 000 are held in trust in the joint names of Totalizator Agency Board and K. G. Hooker Builders Pty. Ltd.
3. The new Telephone Betting Terminals are now being depreciated at the rate of 10 per cent. per annum. The accounts thus include an amount of \$129 985 representing 3 months depreciation.
4. The calculation of Agency Fee Equalisation provision is no longer applicable.
5. The provision for Long Service Leave for Casual Staff is now calculated on a pro-rata entitlement after 10 years' service instead of at 15 years.”

During 1978-79, the Minister approved the transfer to the Development Reserve of \$920 808 and an additional \$1 469 807 was credited to the Reserve, representing one-quarter per cent. of off-course totalizator investments and 3 per cent. of Tabella totalizator investments, bringing the total amount available in the Reserve, at 28 July 1979, to \$17 241 394. This amount has been fully expended on approved development projects.

Capital contributed by the 3 Metropolitan Racing Clubs and the Trotting Control Board—the contributing clubs—remained at \$6 059 807.

UPPER YARRA VALLEY AND DANDENONG RANGES AUTHORITY

Pursuant to the provisions of the *Upper Yarra Valley and Dandenong Ranges Authority Act 1976*, the Authority is required 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*.

Attempts to complete the audit of this Authority for the year ended 30 September 1978 have been unsuccessful due to the Authority's inability to finalise its financial records and submit financial statements for audit. Audit reports containing particulars of lax accounting and other administrative problems have been progressively submitted during 1979 to the Treasurer for information and subsequent transmittal to the Authority.

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 1978-79 has not yet been completed.

A Trust Fund is maintained by the Committee as provided by Section 6 of the Act.

The following statement of income and expenditure sets out in summary form the transactions of the Committee from the Trust Fund for the years ended 30 June 1978 and 1979. During the year, the Committee adopted full accrual accounting and this change in accounting treatment is reflected in the 1979 accounts but not in the comparative figures shown for 1978.

1977-78

\$

1978-79

\$

INCOME

11 700 000	Government Grant	..	..	..	..	..	17 250 000*
197 112	Interest on Investments etc.	..	..	..	..	..	237 782
161 172	Car Park Revenue	..	..	..	..	..	177 400
70 718	Donations	..	..	..	..	..	65 885
..	BASS Revenue	..	..	..	..	..	114 831
71 674	Theatre events	..	..	..	..	..	60 256
33 239	Miscellaneous	..	..	..	..	..	7 715
<u>12 233 915</u>							<u>17 913 869</u>

EXPENDITURE

454 969	Salaries and Associated Expenses	..	..	..	..	..	664 400
133 369	Building Maintenance—National Gallery	..	..	..	..	..	61 226
66 495	Administrative Expenses etc.	..	..	..	..	..	89 770
..	Bass Expenses	..	..	..	..	..	357 438
69 209	Theatre Events	..	..	..	..	..	60 226
41 231	Interest on Loans	..	..	..	..	..	40 052
84 539	Publicity	..	..	..	..	..	63 974
1 241	Performing Arts Museum—Operating Costs	..	..	..	..	..	7 900
..	Temporary Accommodation Costs (Including Amortisation)	..	..	..	..	..	82 033
<u>851 053</u>							<u>1 427 019</u>
11 382 862	Increase in Trust Fund for the Year	..	..	..	..	..	16 486 850
<u>12 233 915</u>							<u>17 913 869</u>

*Reconciliation with Works and Services Account—

Grants received by Committee in 1978-79	..	..	..	..	..	..	\$ 17 250 000
Add Grant paid by State Treasury on 29 June 1979 and received by Committee on 4 July 1979	..	..	..	..	..	..	7 350 000
							<u>24 600 000</u>
Less Grants paid to the Committee from Treasury Trust Fund	..	..	..	..	..	..	7 100 000
Works and Services Account	..	..	..	..	..	..	<u>17 500 000</u>

Further comment in respect to the grant of \$7 350 000 was included in my Report to Parliament dated 11 December 1979.

The balance in the Trust Fund increased from \$53 313 399 at 30 June 1978 to \$69 800 249 at 30 June 1979 and was represented by:

30.6.78				30.6.79
\$		\$	\$	\$

CURRENT ASSETS

(98 442)	Cash at Bank	..	..	..	96 391
270	Cash on hand	..	..	..	750
18 000	Salaries Advance Account	..	..	..	25 000
1 050 000	Cash on Deposit	..	..	..	1 114 000
24 822	Prepayments and Sundry Debtors	..	..	..	168 465
					<u>1 404 606</u>

INVESTMENTS

813 613	Semi-Government Inscribed Stock etc.	..	..	833 773
525 790	Company debentures	..	..	420 789
6 006	Shares in Listed Companies	..	..	6 006
				<u>1 260 568</u>

FIXED ASSETS

16 139 346	Gallery Art School and Car Park Building	..	..	16 198 776
38 047	Office Equipment and Furniture	..	78 423	
(23 970)	Less Provision for Depreciation	..	29 825	
				<u>48 598</u>
6 476	Motor Vehicles	..	14 536	
(1 457)	Less Provision for Depreciation	..	3 191	
				<u>11 345</u>

30.6.78				30.6.79
\$			\$	\$
	Victorian Arts Centre—			
	Project Costs—Stages II and III			
23 012 757	At Cost on 1 July 1978	35 072 930		
12 060 173	Add—Additions for year	18 208 785		
			53 281 715	
224 524	Art Acquisitions .. ..	.. ..	297 194	
210 942	Temporary Accommodation Costs	230 300		
..	Less Amortised to 30 June 1979	76 777		
			153 523	
				69 991 151
	INTANGIBLE ASSETS			
..	Preliminary costs—Bass .. ..	.. ..	99 670	
..	Less Amortised to 30 June 1979 .. ..	.. ..	17 533	
				82 137
54 006 897				72 738 462
	CURRENT LIABILITIES			
..	Sundry creditors and accrued expenses .. ..	.. ..		162 107
	LONG TERM LIABILITIES			
..	Deferred lease—Bass .. ..	.. ..	33 776	
693 498	Debenture Loans .. ..	.. ..	672 330	
..	Bank Loan (Government Guaranteed) .. ..	.. ..	2 000 000	
				2 706 106
	PROVISIONS			
..	Long Service Leave .. ..	.. ..		70 000
	TRUST FUND			
53 313 399	Accumulated Balance—30 June .. ..	.. ..		69 800 249
54 006 897				72 738 462

During 1978, the Minister for Public Works entered into a contract to lease, from a finance corporation, a computer ticketing system known as "BASS" (Best Available Seating Service). The system is managed by the Victorian Arts Centre Building Committee and the costs of servicing the lease are paid by the Committee through the Public Works Department. The total liability under the leasing arrangements amounts to \$640 000.

An audit view was expressed that the *National Art Gallery and Cultural Centre Act 1956*, as amended by the *Victorian Arts Centre Act 1972*, did not give the Committee the necessary authority to establish and operate BASS and, therefore, to commit expenditure and enter into contracts in respect of this activity. The Committee was requested to seek legal advice on the matter.

The Committee's solicitors advised that, in their view, while the general powers in the legislation allowed the Committee to incur expenditure on BASS to provide income for the Fund established under Section 6 of the Act, the setting-up of BASS was by no means specifically authorised by legislation. The powers of the Committee with respect to the BASS system should be specifically defined by legislation.

An audit appraisal of the accounting and internal control procedures of BASS was undertaken during the year and the Committee was informed that, generally, the internal control in respect of the receipting procedures for ticket sales was inadequate. The Committee has subsequently advised that steps have been taken to strengthen the controls.

Details of the operations of BASS during 1978-79 were as follows:

					\$	\$
INCOME						
Gross Booking Fees	..	..	..	..	105 382	
Service and Management Fees	..	..	..	..	4 912	
Miscellaneous	..	..	..	..	4 537	
					<hr/>	114 831
EXPENDITURE						
Advertising and Promoting Expenses	..	..	..	..	155 095	
Salaries and Associated Expenses	..	..	..	..	68 579	
Computer costs	..	..	..	..	77 380	
Administrative Expenses, etc.	..	..	..	..	38 851	
Amortisation of Preliminary Expenses	..	..	..	..	17 533	
					<hr/>	357 438
Loss on Operations	..	..	..	..		<hr/><hr/>242 607

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 1979 amounted to \$32 722 349 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 following is an abstract of the annual statements of accounts of the Authority for the years ended 30 June 1978 (which were not available for presentation in my previous year's Report) and 30 June 1979.

Trading Account

1977-78		1978-79
\$		\$
82 093 539	Gross Sales of Milk	90 471 736
	<i>Less—</i>	
	Purchases of Milk—	
29 180 078	Under Contract	23 223 002
	Non Contract—	
19 187 020	Base Price	26 325 208
15 804 743	Pool Payments	19 288 589
2 877 999	Depot Allowance	3 596 750
3 900 379	Depot to Dairy Cartage	4 221 973
2 342 117	Winter Incentive Fund	3 442 600
510 382	Other Expenses	690 415
73 802 718		80 788 537
8 290 821	Gross Surplus	9 683 199
82 093 539		90 471 736
	Surplus transferred to—	
3 595 210	Operations Account	4 007 768
4 695 611	Capital Fund	5 675 431
8 290 821		9 683 199

Operations Account

<i>Revenue</i>		
3 595 210	Transfer from Trading Account	4 007 768
247 935	Other Income	292 146
3 843 145		4 299 914
<i>Expenditure</i>		
1 119 347	Administration	1 324 542
1 395 632	Promotion, Marketing	2 512 933
418 557	Winter Incentive Fund .. .. .	..
2 933 536		3 837 475
909 609	Net Surplus	462 439
3 843 145		4 299 914
<i>Accumulated Fund</i>		
7 640 621	Balance 1 July	8 550 230
909 609	Net Operating Surplus	462 439
8 550 230	Balance 30 June	9 012 669

Capital Fund

<i>Revenue</i>		
..	Balance 1 July	1 043 862
4 695 611	Transfer from Trading Account	5 675 431
4 695 611		6 719 293

1977-78		1978-79
\$		\$
	<i>Expenditure</i>	
804 079	Interest on Loans, Bank Overdraft, Deferred Compensation and Advance Payments	1 325 729
2 781 000	Amortisation of Contract Compensation	3 697 331
66 670	Sinking Fund Appropriation	180 000
<hr/>		<hr/>
3 651 749		5 203 060
1 043 862	Balance 30 June	1 516 233
<hr/>		<hr/>
4 695 611		6 719 293

Winter Incentive Fund

<i>Revenue</i>		
..	Balance 1 July .. .. .	..
2 342 117	Transfer from Trading Account	3 442 600
418 557	Transfer from Operations Account .. .. .	..
<hr/>		<hr/>
2 760 674		3 442 600
	<i>Expenditure</i>	
2 760 674	Winter Incentive Payments	3 106 359
..	Balance 30 June	336 241
<hr/>		<hr/>
2 760 674		3 442 600

Balance Sheet

30.6.78		30.6.79
\$		\$
	<i>Current Assets—</i>	
250	Cash on Hand	300
	<i>Debtors—</i>	
5 622 605	Sundry	6 285 726
..	State of Victoria	3 343 841
		<hr/>
21 313	Stock on Hand	9 629 567
15 218	Deceased Estates Cash on Hand	16 844
		1 719
	<i>Fixed Assets—</i>	
355 477	Land, Buildings (at cost)	441 146
163 826	Furniture, Equipment, Vehicles at Cost or Valuation	387 028
(25 693)	Less Depreciation	(39 981)
	<i>Intangible Assets—</i>	
29 361 629	Contract Compensation	32 722 349
(2 781 000)	Less Amortisation	(6 478 331)
<hr/>		<hr/>
32 733 625		36 680 641
	<i>Current Liabilities—</i>	
8 042 981	Bank Overdraft	7 896 618
14 116 196	Creditors	15 745 433
98 468	Provisions, Holiday Pay and Long Service Leave	125 058
15 218	Deceased Estates	1 719
	<i>Deferred Liabilities—</i>	
800 000	Loan, State Superannuation Board	1 800 000
	<i>Victorian Dairy Industry Authority Fund—</i>	
8 550 230	Accumulated Fund	9 012 669
1 043 862	Capital Fund	1 516 233
..	Winter Incentive Fund	336 241
66 670	Sinking Fund—State Superannuation Board Loan	246 670
<hr/>		<hr/>
32 733 625		36 680 641

VICTORIAN DEVELOPMENT CORPORATION

The Corporation was established pursuant to the provisions of the *Victorian Development Corporation Act 1973*. The main functions of the Corporation are to encourage, promote and assist in the establishment and development of:

- (i) industries of a manufacturing and processing nature which, with certain exceptions, are beyond a radius of 80 kilometres from Melbourne; and
- (ii) tourist accommodation and facilities throughout the State.

The Corporation derives its funds mainly from advances from the Works and Services Account and by limited issues of Inscribed Stock.

A capital grant of \$2 000 000 was provided to the Corporation by State Treasury in 1977-78.

In 1978-79 an amount of \$4 250 000 was received by the Corporation by way of advances from the Works and Services Account and \$1 000 000 was raised by the issue of Inscribed Stock.

Loans provided by the Corporation in 1978-79 totalled \$8 488 623 (1977-78, \$8 835 383).

Following is a summary of the Profit and Loss Accounts for the years ended 30 June 1978 and 1979:

1977-78		1978-79
\$		\$
	Income—	
1 778 315	Interest on loan advances	2 240 532
333 993	Interest on short term investments	307 252
165 408	Rental from Leased Factories	146 828
26 488	Other	24 900
2 304 204		2 719 512
	Expenditure—	
1 690 527	Interest payable	2 015 471
236 902	Salaries and Allowances	255 222
150 000	Provision for contingencies	239 122
69 331	Administrative expenses	77 913
129 684	Provision for doubtful debts	73 015
46 518	Office accommodation	43 547
2 322 962		2 704 290
	.. Add Provision for doubtful debts written back ..	15 222
		215 406
(18 758)	(Loss) Surplus for year	230 628

An amount of \$73 015 was provided by the Corporation for debts expected to be irrecoverable at 30 June 1979. During 1978-79 a loan of \$332 000 to Mitchelton Winery Pty. Ltd. was written off against the Provision for doubtful debts. A loan of \$215 406 to another company, considered doubtful in 1977-78 and included in the Provision for that year, was recovered in full by the Corporation in the year under review.

The balance-sheets of the Corporation as at 30 June 1978 and 1979 are summarised hereunder:

30.6.78		30.6.79
\$		\$
	Current Assets—	
3 003	Prepayments and Sundry Debtors	2 429
103 446	Cash at Bank	197 706
3 132 205	Short Term Investments	3 174 023
		3 374 158
	Loans—	
23 581 184	Industries and Tourism	27 930 069
(829 552)	Less Provision for Doubtful Debts	355 161
		27 574 908
800 000	Agency	800 000
		28 374 908
	Fixed Assets—	
33 732	Office Furniture and Motor Vehicles (at cost less depreciation)	35 558
		35 558
2 086 660	Industrial Properties (at cost)	2 097 890
28 910 678		33 882 514
	Current Liabilities—	
861 166	Accrued Interest and Sundry Creditors	998 639
	Deferred Liabilities—	
22 950 000	Treasurer of Victoria—Advances	26 200 000
2 800 000	Inscribed Stock	3 800 000
		30 000 000
800 000	Agency Loan	800 000
	Reserves and Provisions	
660 878	Provision for Contingencies	900 000
121 500	Leased Property Provision	236 113
		1 136 113
2 000 000	Capital Provided by the State *	2 000 000
(1 282 866)	Less Accumulated Loss	1 052 238
		947 762
28 910 678		33 882 514

* The Treasurer indicated in 1978 that, from time to time and after taking into account the Corporation's operating result in a preceding financial year, he may direct that a payment be made to the Consolidated Fund in the nature of a dividend on the capital so provided to the Corporation. To date, no such direction has been given.

Short Term Investments—Details of investments held at 30 June 1978 and 1979 were as follows:

	30.6.78	30.6.79
	\$	\$
Short Term Money Market .. .. .	..	204 195
Bank-accepted Bills of Exchange	3 132 205	2 969 828
	3 132 205	3 174 023

Provisions—The Provision for contingencies was increased in 1978–79 by \$239 122 and, at 30 June 1979, stood at \$900 000.

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 \$236 113", 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.

Contingent Liability

At 30 June 1979, guarantees issued by the Corporation in terms of Section 11 of the Act totalled \$1 179 875 (1978, \$434 000).

VICTORIAN GOVERNMENT TRAVEL AUTHORITY

The Victorian Government Travel Authority was established under the provisions of the *Victorian Government Travel Authority Act 1977* to carry out the following functions from 1 July 1978:

- (a) promote and market travel;
- (b) make travel arrangements;
- (c) provide travel information services; and
- (d) advise the Minister when requested by him to do so.

Section 23 of the Act provides for the accounts of the Authority to be audited on a regular basis by an auditor appointed by the Authority and annually by the Auditor-General.

The following statement shows the income and expenditure of the Authority for 1978-79.

	1978-79	
	\$	\$
<i>Income—</i>		
Contribution from State Treasury		1 960 000
Commission		676 260
Recoupment of Transport Information Centre Costs—		
Salaries and Allowances	208 646	
Payroll Tax	10 432	
General Overheads	21 885	
		240 963
Miscellaneous		8 307
		2 885 530
<i>Expenditure—</i>		
Salaries and Allowances		1 986 993
Payroll Tax		96 858
Rent and Rates		209 879
Advertising and Promotion	215 617	
Less Grant from Department of State Development, Decentralization and Tourism	75 000	
		140 617
Telephone and Postage		175 527
Travelling and Subsistence		61 374
Electricity, Gas and Heating Fuel		34 856
Cleaning		38 947
Maintenance and Alterations (net)		31 888
Printing, Stationery and Office Requisites		44 069
Audit Fees		20 079
Provision for—		
Recreation Leave	42 668	
Long Service Leave	181 363	
Depreciation	4 765	
		228 796
Miscellaneous		17 964
		3 087 847
Deficit for Year		202 317

Operations for 1978-79 resulted in a deficit of \$202 317. During the year the Treasury contributed \$1 960 000, through the Department of State Development, Decentralization and Tourism Vote, towards the costs of operations of the Authority. A further amount of \$75 000 was made available from the Tourist Fund.

An abridged balance sheet of the Authority is set out hereunder:

	\$	\$	\$
<i>30.6.79</i>			
<i>Current Assets—</i>			
Cash and Stamps on Hand		10 077	
<i>Cash at Bank—</i>			
Trust Account	269 453		
Less Operating Account overdrawn	1 412		
	<hr/>	268 041	
Prepayments		22 748	
<i>Debtors—</i>			
Trust	209 270		
Other	59 569		
	<hr/>	268 839	
Stock of Saleable Publications		1 837	
		<hr/>	571 542
<i>Fixed Assets—</i>			
Office Equipment (at cost less depreciation) (Note 1) ..		9 113	
Motor Vehicles (at cost less depreciation)		15 373	
		<hr/>	24 486
			<hr/>
			596 028
			<hr/>
<i>Current Liabilities</i>			
Sundry Creditors and Accruals		95 591	
Trust Creditors		478 723	
Provision for Recreation Leave		42 668	
		<hr/>	616 982
<i>Deferred Liabilities</i>			
Provision for Long Service Leave (Note 2)			181 363
			<hr/>
			798 345
Less Accumulated Deficit			202 317
			<hr/>
			596 028
			<hr/>

The following explanatory notes have been appended to the balance sheet by the Authority and are to be read in conjunction therewith:

“NOTE 1—Office equipment is in respect of furniture and equipment purchased during the year. Assets taken over at no cost on formation of the Authority are to be re-valued in 1979-80.

NOTE 2—The provision for Long Service Leave in the year’s accounts includes accumulated leave amounting to \$162 996 in respect of prior years service by Officers of the Authority.”

VICTORIAN PUBLIC OFFICES CORPORATION

The Victorian Public Offices Corporation was constituted pursuant to the *Victorian Public Offices Corporation Act 1974*.

The Corporation consists of four Ministers—The Minister of Public Works, the Treasurer of Victoria, the Minister of Lands and the Minister for State Development Decentralization and Tourism.

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 purchase of properties at 50 to 56 Ryrie Street, Geelong, for car parking for the new State Public Offices complex, for \$294 000;
- (ii) the purchase of two sites at Bendigo, on the corner of St. Andrews Avenue and Lyttleton Terrace for \$442 000 and \$236 000 respectively;
- (iii) the sale of the old police station and site at Grimshaw Street, Greensborough for \$358 000;
- (iv) the sale of the old police station and site at 43 Little Bourke Street, Melbourne for \$142 500; and
- (v) the sale of the Housing Commission building at 179 Queen Street, Melbourne, for \$2.15 million.

The building of the State Public Offices complex at Geelong was completed during 1978–79. The contract for the building of the State Public Offices complex at Ballarat was let during the year, and the building was well advanced at the end of June.

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 1978 and 1979 is given:

	1977-78		1978-79	
	\$	\$	\$	\$
Sale of Properties	94 265		2 770 500	
Other Income	15 108		98 433	
		109 373		2 868 933
<i>Less Cost of Sales—</i>				
Valuation of Properties Sold*	97 750		2 330 760	
Other Selling Expenses	6 042		85 053	
		103 792		2 415 813
Gross Profit		5 581		453 120
<i>Less Operating Expenses—</i>				
Valuation fees on Corporation Properties	5 965		12 861	
Interest on Corporation Borrowings ..	89 315		175 865	
Other	4 411		3 114	
		99 691		191 840
		(94 110)		261 280
<i>Plus Non Operating Income—</i>				
Interest on Investments		574 424		233 711
Net Profit†		480 314		494 991

* 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 1978 and 1979 is given:

	30.6.78		30.6.79	
	\$	\$	\$	\$
<i>Liabilities</i>				
Loans	1 700 000		2 690 000	
Other	264 082		29 992	
		1 964 082		2 719 992
<i>Equity of Corporation</i>				
Accumulated Surplus	892 698		1 387 689	
Properties granted to the Corporation by the Crown, at valuation*	13 512 330		15 566 330	
		14 405 028		16 954 019
		16 369 110		19 674 011
<i>Assets</i>				
<i>In Public Offices Fund at Treasury—</i>				
Cash	24 480		563 491	
Investments (Interest Bearing Term Deposits)	4 100 000		2 200 000	
		4 124 480		2 763 491
Sundry Debtors, including accrued interest		89 008		†1 670 703
Deposit on Freehold Property				69 156
Properties—at cost	9 104 042		12 395 841	
at valuation*	3 051 580		2 774 820	
		12 155 622		15 170 661
		16 369 110		19 674 011

*Valuation made by officers of the Valuer-General's Office or by municipal valuers. A property at 654 Doncaster Road, Doncaster was granted to the Corporation during the 1978-79 financial year under Section 8 (1) of the *Victorian Public Offices Corporation Act 1974*. The items asterisked do not include this property for which a valuation has not yet been obtained.

†This figure includes the sum of \$1 600 000 owed to the Corporation in respect of the sale of the Housing Commission Building at 179 Queen Street, Melbourne. This property was sold on three-year vendor terms.

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, Werribee and Healesville. The responsibility for the administration and control of the Sir Colin Mackenzie Fauna Park was transferred to the Board from 1 July 1978. The Board 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 for the Royal Melbourne Zoological Gardens, Werribee Fauna Park and Sir Colin Mackenzie Fauna Park for the year ended 30 June 1979, together with comparative figures for the previous year, are set out hereunder:

Royal Melbourne Zoological Gardens

1977-78		1978-79
\$		\$
(33 188)	Balance 1 July	(35 289)
	<i>Receipts—</i>	
971 109	Admissions	1 041 945
	Grants—	
799 000	State Government	787 074
50 000	Schools Commission	
..	Myer Foundation	85 000
..	Historical and Community Projects Fund (Gold Lottery)	78 934
..	Catholic Education	30 000
86 739	Souvenir Shop	86 833
69 981	Commissions—Catering etc.	77 378
64 790	Amusements	62 822
40 000	Loans—Government	40 000
25 143	Miscellaneous	23 998
2 073 574		2 278 695
	<i>Payments—</i>	
987 628	Salaries, Wages and Ancillary Charges	1 089 083
400 669	General Maintenance and other Operating Expenses	411 069
	Capital Works—	
169 902	Flight Aviary	114 590
..	Platypus Exhibit	92 178
745	Aboreal Primates	80 838
2 725	Electric Reticulation	56 004
..	Administration Office	46 037
36 128	Bird Isolation Building	21 917
..	Veterinarian's Residence	8 269
83 639	Residences	683
4 443	New Catering Centre	
301	Other	6 006
60 058	Education Resource Centre	181 909
149 218	Animal Maintenance and Acquisition	154 057
68 371	Administration and Sundries	72 629
64 154	Souvenir Shop Expenses	67 921
60 275	Interest on Loans	63 252
14 367	Loan Repayments—Government	16 367
6 240	Private	6 926
(35 289)	Balance 30 June	(211 040)
2 073 574		2 278 695

Werribee Fauna Park

1977-78		1978-79
\$		\$
2 172	Balance 1 July	37 730
	<i>Receipts</i>	
192 000	State Government Grants	161 000
4 215	Other Receipts	6 664
198 387		205 394
	<i>Payments</i>	
45 761	Wages and Ancillary Charges	64 704
..	Capital Works	34 489
16 099	General Maintenance and Operating Expenses	30 414
24 040	Plant and Equipment	25 878
16 902	Administration	18 209
9 209	Planning	15 637
2 623	Animal Maintenance and Acquisitions	3 075
46 023	Residences .. .. .	..
37 730	Balance 30 June	12 988
198 387		205 394

Sir Colin Mackenzie Fauna Park

1977-78		1978-79
\$		\$
131 415	Balance 1 July	180 949
	<i>Receipts</i>	
350 383	Admissions	383 359
	Grants—	
125 000	Government	150 000
25 000	Other	2 989
30 880	Sale of Publications etc.	37 584
..	Hire of Reception Facilities	15 907
12 677	Interest	11 916
6 240	Kiosk Rental	5 554
10 599	Research Fund Income .. .. .	..
1 551	Miscellaneous	6 836
693 745		795 094
	<i>Payments</i>	
276 010	Salaries, Wages and Ancillary Charges	356 534
47 303	General Maintenance	81 237
35 586	Animal Maintenance	35 271
64 621	Administration	26 740
	Capital Works—	
..	Buildings	20 774
15 917	Exhibits	6 860
32 338	Sewerage	1 126
11 890	Other	7 059
24 052	Publications etc.	25 829
4 098	Plant and Equipment	5 679
981	Miscellaneous	2 995
180 949	Balance 30 June	224 990
693 745		795 094