

# Capital projects

## CAPITAL PROJECTS

To support the ongoing development of the port, PoMC has undertaken capital expenditure of \$53 million on projects to upgrade and enhance marine and land side infrastructure over the past year, excluding the Channel Deepening Project.

Major projects progressed and completed over the past year include:

### Swanson Dock rehabilitation works and crane rail replacement – \$14.4 million

Swanson Dock East rehabilitation works \$8.1 million

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**Total project \$21.0 million**

Swanson Dock West rehabilitation works \$4.2 million

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**Total project \$13.3 million**

Remediation of Australia's premier international container terminal involves reinstatement of concrete beams, structural strengthening and wrapping of piles with an impervious film, painting of sheet piles and installation of cathodic protection for both steel piles and sheet piles. The project is scheduled to be completed in 2008-09.

Swanson Dock East crane rail replacement \$1.3 million

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**Total project \$2.3 million**

Swanson Dock West crane rail replacement \$0.9 million

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**Total project \$1.4 million**

This project involves the replacement of the worn in situ crane rails embedded in the concrete deck at both Swanson Docks East and

West. The project is scheduled to be completed in 2008-09.

### Victoria Dock Development – \$5.6 million

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**Total Project \$40.3 million**

Part of an \$80 million joint development by Westgate Ports and PoMC which included previous PoMC expenditure on creek diversion, this project involved completion of a detailed design and construction for the lengthening of the wharf at 24 Victoria Dock.

### Enterprise Road Project Stage 2 – \$3.1 million

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**Total project \$4.6 million**

PoMC has undertaken this road construction project as part of the port rail development strategy for the Appleton Dock precinct.

The new road will enable trains of significantly greater length to be used by Patrick Corporation and grain handling company Australian Bulk Alliance. The project is scheduled for completion in 2007-08.

### Gellibrand Pier rehabilitation works – \$1.6 million

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**Total project \$2.7 million**

Similar to the rehabilitation work at Swanson Dock, remediation of the port's crude oil handling facility involves strengthening concrete beams, structural strengthening and wrapping of piles with an impervious film, installation of new steel pile supports and installation of cathodic protection for steel piles. The project is scheduled to be completed in 2008-09.

### Port Security Infrastructure Upgrade – \$1.3 million

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**Total Project Value \$7.9 million**

With the protection of port facilities a high priority for PoMC, this completed project upgraded security infrastructure across the port and at common user berths.

### 26 South Wharf Concrete Repairs – \$1.1 million

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**Total Project Value \$3.2 million**

This completed project involved the repair of damaged and spalling concrete of the soffit beams, piles and sheet pile wall of the wharf; and rehabilitation of the upstream section of the concrete deck.

Other capital projects completed over the past year include:

- Port Wide Contamination Remediation Works – \$0.7 million
- Mackenzie Road Roundabout – \$0.7 million
- Channel Protection Works West Bank Yarra River – \$0.6 million
- Gellibrand Pier Rehabilitation of Timber Section – \$0.4 million
- Station Pier Baggage Handling System – \$0.4 million
- Asset Management Software – \$0.3 million
- F Appleton Dock Pavement Upgrade – \$0.2 million
- Dock Link Road – Reconstruction of Pavement and Kerb and Channel – \$0.1 million.



# Sustainability and safety

**In keeping with its commitment to the sustainable development and management of the Port of Melbourne, PoMC has developed and implemented a range of strategies and initiatives for the responsible environmental management and safety of the port.**

## **Water and energy management**

In 2006-07, PoMC focused on efforts to address water and energy management within the Port of Melbourne. Key achievements in water and energy management in 2006-07 include:

- completion of a draft Water and Energy Management Strategy
- completion of baseline water and energy audits for areas under PoMC control, across the Port of Melbourne
- development of water and energy management guidelines for PoMC and port users
- implementation of capital works to improve water and energy efficiency at common user berths
- engagement with port tenants through the Whole of Port Health, Safety and Environment Committee to encourage a 'whole of port' approach to water conservation.

## **BOOSTING MELBOURNE'S WATER SAVINGS**

In response to the severe drought conditions exacerbated by lower than expected rainfall, PoMC initiated voluntary water savings measures for shipping lines in line with the introduction of Stage 3 water restrictions in Melbourne on 1 January 2007 – now at Stage 3a.

Working with shipping lines to reduce the supply of potable water to a maximum of 25 kilolitres during each access period, the intake by ships reduced by over 80% in the last six months of financial year 2006-07 compared with the same period last year at the 28 berths which utilise PoMC's water intake systems. This represents water savings of 44 million litres, equivalent to around 44 Olympic size swimming pools.

Melbourne has taken the lead amongst Australian ports in introducing this voluntary framework and PoMC commends shipping lines for their cooperation and strong adherence to the new water conservation measures.

Working with land-based port tenants, PoMC is also encouraging a cooperative 'whole of port' approach to reducing water consumption by addressing water conservation in areas under its direct control through water audits, identification of water conservation opportunities and changes to current practices including minor capital works.



### **Safety and Environmental Management Plan (SEMP)**

Applying a whole of port approach to improving the safety and environmental performance of port operations, PoMC's integrated Safety and Environmental Management Plan (SEMP) was fully compliant with the requirements under the Port Services Act in the 2006-07 mid-term audit.

### **Land remediation**

A good proportion of port land, particularly historically reclaimed land dating back to the late nineteenth century using poor fill, is potentially contaminated to some extent. As a result, PoMC has developed a Contaminated Land Management Strategy which includes protocols and procedures for land assessment, management and potential remediation. Based on a preliminary risk assessment, PoMC is undertaking a comprehensive environmental assessment program for all sites, including soil and ground water testing.

### **Whitehall Street remediation**

PoMC is committed to cleaning up the former Pivot site located at 221 Whitehall Street, Yarraville, and has demonstrated this throughout the past year as it actively worked with the Environment Protection Authority (EPA) to develop a clean-up strategy. PoMC also spent \$1.15 million on remediation works in 2006-07.

Extensive studies including groundwater monitoring and sampling have led to a greater understanding of the issues involved.

Working with the EPA, PoMC is currently developing a Remediation Action Plan (RAP) with advice from environmental experts and auditors.

### **Clean-up notices**

Following PoMC's satisfactory completion of each of the actions required by Clean-up Notice 3692, the notice was revoked by the EPA.

On 10 January 2007, EPA issued Clean-up Notice 54327 to PoMC for 221 Whitehall Street which required further sampling and monitoring leading to a RAP. As required under the notice, PoMC submitted its proposed approach to offsite delineation sampling to EPA on 27 February 2007. The EPA formally approved this program in March.

### **Community consultation**

To keep key stakeholders updated on the clean-up progress at the 221 Whitehall Street site, PoMC is an ongoing contributor to the Whitehall Street Community Liaison Group which meets quarterly and includes residents, the EPA, industry representatives and the City of Maribyrnong.

### **Auditor-General's report**

The recommendations from the Victorian Auditor-General's Office (VAGO) in its June audit report into the former Melbourne Port Corporation's (MPC's) acquisition of 221 Whitehall Street site is instructive for all agencies involved in the purchase of land.

The report was critical of MPC's assessment of the costs, benefits and risks associated with the

acquisition but noted that PoMC's policies and procedures have been revised and its internal procurement capability enhanced. VAGO also noted that decisions to purchase land are now undertaken with comprehensive information on the costs and benefits of the investment and the condition of a site.

### **Improving health and safety guidelines**

To address and reduce workplace risk and injuries, PoMC is participating in the Victorian WorkCover Authority's program to develop guidelines for port operational safety and is represented on the steering committee. PoMC staff are also represented on various working groups.

### **Whole of Port Health, Safety and Environmental Management Committee**

PoMC is the convener for the Whole of Port Health, Safety and Environmental Management Committee which brings together the key port service providers and operators to develop, coordinate and promote safe and sustainable operations in the Port of Melbourne.

This committee is an important focal point for information sharing and understanding trends and changes in best practice and compliance regimes across a broad range of issues including environment policy, workplace safety, emergency and incident management and security and continue to benefit the daily operations of Australia's largest container and general cargo port.

# Community focus

**As a city port surrounded by urban municipalities, over the past year PoMC has worked to foster community relationships with schools, community groups and local government to help them better understand the nature of our operations and the important role they play for the benefit of the wider community.**

## Ports and Maritime Education Program

The purpose-built Port Education Centre (Port Ed), located on the southern side of the Yarra River, continues to be a magnet for school and community groups. Specially tailored lessons about the role of the port have included the areas of science, geography and history to fit with the primary and secondary school curriculum.

To reach a wider audience, school visits to Port Ed have also been complemented by the online availability of specially designed resources for students and teachers including lesson plans.

Port Ed has also been a valuable resource for local community and industry organisations which regularly hold meetings, workshops and conferences at the site.

## Community partnerships

In 2006-07, PoMC continued its relationships with the community arm of the Western Bulldogs Football Club to develop community education and training programs for Melbourne's inner western suburbs, particularly among young adults.

The cornerstone partnership with the Western Bulldogs' SpiritWest Services helps students learn about the port's activities and to better understand the logistics industry with a view to introducing young people to potential employment opportunities in their own backyard.

## Community services

PoMC welcomes the increasing interest in ports and trade more generally which has generated hundreds of requests for information and speaking engagements.

At the invitation of community groups such as Rotary and Probus, PoMC staff have delivered a number of informative talks about the port and its various projects which have been very well received.

Each year, PoMC also produces the Victorian Tide Tables which continue to be popular with recreational anglers and boating operators. In 2007, the tide tables highlighted the important 'Steer Clear' message which reinforced the dangers of anchoring or drifting in shipping channels.

## Sponsorships

PoMC contributed to a number of charitable causes and community events throughout the year, most notably the Mission to Seafarers and Stella Maris in support of port welfare.

## Community forums

PoMC's two community forums, for stakeholders and residents respectively, met throughout 2006 to discuss a range of port-related issues including port development, channel deepening, rail initiatives and cruise shipping.

PoMC also continued to contribute to the quarterly Whitehall Street Companies Community Liaison Group to inform key stakeholders, including residents, about the environmental investigations and actions being undertaken to mitigate contamination at the 221 Whitehall Street site.

## Training and development

PoMC has continued to be an active contributor to a number of training and development initiatives to develop the next generation of engineers.

PoMC is a sponsor of the 'Young Engineers Industry Nights' program for Engineers Australia to assist young engineers to enhance their personal career progression and management.



# Global port partnerships

**PoMC enjoys a series of special relationships with a number of ports around the world to share knowledge about port planning and infrastructure needs to accommodate increasing trade volumes worldwide.**

In November 2006, PoMC welcomed representatives from the port and wider business community to celebrate the thirtieth anniversary of the Port of Melbourne's Trade Cooperation Agreement with Yokohama. A joint seminar highlighting the respective port's activities, key projects and planning was attended by guests from Yokohama and a large number of local trade and shipping representatives.

During the year, PoMC welcomed a number of delegations from international ports hosting representatives from Sister and Partner Ports such as Osaka and Shanghai, together with visits from representatives from Fujian and Dalian.

Reciprocal staff exchanges, most recently with the Port and Harbour Bureau of the City of Yokohama, have also been an important feature of PoMC's relations with other ports and have helped cement relationships at a personal level and increase staff knowledge of the operations of other ports.

PoMC's global sister port and partner port relationships include:

## **Sister Ports**

### **Osaka, Japan**

The Port of Osaka is located on the southern coast of Honshu Island, approximately 400 kilometres from Tokyo.

### **Oakland, USA**

The Port of Oakland lies on the eastern shore of San Francisco Bay, 4.8 kilometres from the city centre.

## **Friendship Port**

### **Tianjin, China**

Located 137 kilometres southeast of Beijing, near the mouth of the Hai River, Tianjin is the chief port for Beijing and a major trading centre for foreign and domestic trade in northern China.

## **Trade Cooperation Port**

### **Yokohama, Japan**

Situated on Tokyo Bay, much of Tokyo's sea trade passes through the port of Yokohama. The maritime facilities of Tokyo Bay represent Japan's and the world's biggest concentration of maritime ports, with the port of Yokohama as the major gateway.

## **Partner Ports**

### **Philadelphia, USA**

The Port of Philadelphia is situated on the Upper Delaware River in the city of Philadelphia, Pennsylvania.

### **Shanghai, China**

The Port of Shanghai is situated at the mouth of the Yangtze River in Shanghai. It comprises a major sea port and an inland river port.



**Sister Ports**

- Osaka, Japan
- Oakland, USA

**Friendship Port**

- Tianjin, China

**Trade Cooperation Port**

- Yokohama, Japan

**Partner Ports**

- Philadelphia, USA
- Shanghai, China



# Port security

**Protecting critical economic infrastructure is a responsibility PoMC takes seriously. As leaders in Australian port maritime security, we have continued to invest in new technologies and systems to help safeguard the Port of Melbourne.**

## MSIC compliance

To assist the national roll out of the national Maritime Security Identification Card (MSIC) ahead of the 1 January 2007 implementation date, PoMC registered as an Issuing Body for the new MSIC regime under the requirements outlined in the *Maritime Transport and Offshore Facilities Security Act 2003* (Cwlth). As part of the regulatory requirements, an MSIC Issuing Body Plan was approved by the Commonwealth Department of Transport and Regional Services (DoTARS) in October 2005. Subsequently, PoMC issued around 3000 MSICs locally.

## CCTV project and security infrastructure

As part of PoMC's total port security project commitment of \$7.9 million, the design for an extensive upgrade to the port's CCTV apparatus has been completed with installation of the system well advanced. This project improves the port's security surveillance capacity at all common user, bulk liquid and passenger terminals and complements the systems already in place. Additionally, the system provides enhanced capability for environmental management within PoMC-managed terminals by providing surveillance of shipping operations.

## Ready response to incidents

In conjunction with the relevant authorities, a 24-hour response service is in place which allows the Security and Emergency Coordination Team to quickly respond to incidents in the port precinct. This includes extensive patrol coverage on both land and in port waters.

## Port Security Committee participants

The Port Security Committee (PSC) consists of over 50 members including representatives from various Victorian and Commonwealth Government agencies and authorities. Chaired by PoMC, meetings are held bi-monthly and provide a valuable conduit for security matters regarding the wider port. The PSC also provides a valuable forum for DoTARS to provide information on national issues concerning the implementation of the *Maritime Transport and Offshore Facilities Security Act*.

## Exercise 'New Addition'

One of the key responsibilities of the Security and Emergency Coordination Team is the testing of the Maritime Security Plan (MSP) which includes the Joint Station Pier Maritime Security Plan (JMSP) and the Melbourne Port Emergency Management Plan.

Working with DoTARS, the Department of Infrastructure, Water Police and other maritime industry participants, a major port wide security exercise named 'New Addition' was conducted in June 2006. The subsequent exercise assessment helped refine

PoMC's security and emergency management plans and procedures.

## Desktop exercise 'Wallace 07'

As part of the JMSP, a further desktop exercise called 'Wallace 07' was held in late June. The exercise brought together relevant participants and observers around the table to discuss what actions the key personnel would take in the event of an incident, as well as the testing of the plans in place.

## Cruise shipping security

The security of Station Pier, Victoria's international cruise passenger terminal, is a high priority for PoMC.

PoMC received positive feedback from cruise ship Masters and Ship Security Officers during the 2006-07 cruise ship season. PoMC was complimented on the security measures and facilities provided at Station Pier as being at least equal to or better than similar passenger terminals across the globe.

## Maritime Security Guards

There are over 50 officers across the port area in various roles including control room operators, safety officers, patrol officers, waterside based officers and general duties staff. There were approximately 130,000 security hours worked in the port area over the past year.



# Station

## Cruise shipping

**Another successful cruise ship season in 2006-07 built on Melbourne's previous record season, firmly establishing Melbourne Cup week as the highlight with four ships calling at Station Pier during that period.**

**During the 2006-07 season there were 30 ship visits to Station Pier and two to regional Victorian ports at Geelong and Cowes. Overall, Victoria welcomed more than 68,000 visitors between September 2006 and April 2007.**

**Cruise shipping provides a valuable economic boost to the city and regional areas. Assessing the economic impact of cruise shipping, recent figures released by the national peak body, Cruise Down Under (CDU), showed that on average, each cruise ship visit delivered an added economic stimulus of around \$850,000 net, directly and indirectly, to the state's economy.**

### Upgrading facilities

Since taking responsibility for the management of Station Pier from the Department of Infrastructure in February 2005, PoMC has continued to implement improvements to the Station Pier facilities and upgraded security in line with federal requirements.

Recognising that Station Pier has become a successful tourist gateway for Melbourne and for regional destinations from Ballarat to Phillip Island and the Yarra Valley, a number of projects were completed over the winter months of 2006 with the benefit of a significant \$15 million contribution from the Victorian Government.

Among the major works, lowering of the central roadway on the pier was completed in August 2006, resulting in all four berths now able to operate independently of each other. This gives each berth the ability to offer greater safety and reduces congestion at peak periods.

Other works involved the refurbishment of the boat train shelter building located between the inner and outer terminal building. The building is of significant heritage importance and the upgrade also included the replacement of the electrical substation and main switchboard, together with the refurbishment of public toilets.



### **New gangways**

As part of a \$15 million upgrade to Station Pier, world class gangways are now in place to cater for the growing number of cruise ship visits to Melbourne. Designed in Sweden and fabricated in Geelong, the gangways are the first of their type in Australia to be deployed for cruise shipping.

### **Improving passenger experience**

Working in partnership with Tourism Victoria, City of Melbourne and Metlink, transit passengers have benefited from additional customer service with the presence of Metlink and Yarra Trams staff complementing the excellent work of the volunteers from the City of Melbourne.

Alongside the shuttle service which operates between the pier and the Port Melbourne tram stop, Metlink now provide Metcard ticket sales inside the cruise terminal to avoid queues and introduce passengers to Melbourne's public transport system.

### **Maiden visits**

One of the highlights of the cruise ship season is welcoming new vessels to Melbourne. We were delighted to host the visits of *Saga Ruby* and *Asuka II* to Melbourne during the 2006-07 cruise ship season.

The *Saga Ruby*, sister ship to the *Saga Rose* which has previously called at Melbourne, boasts a more contemporary feel while retaining the classical elegance of her sister ship.

The maiden voyage of the *Asuka II* was a visit with a difference. Having visited Melbourne previously as the *Crystal Harmony*, she has since been remodelled by NYK Cruises and renamed *Asuka II*.

### **Working with industry and local government**

PoMC is also a key member of CDU, the national peak body for cruise shipping in Australia. As a member of the CDU Management Committee, PoMC is proactively working to grow the cruise industry, its strategic development and future direction in the region.

PoMC also regularly consults and works with the City of Port Phillip in developing the appropriate traffic management plans ahead of peak periods when there are multiple ship visits and home porting.

### **Looking ahead**

Over 40 cruise ships are already booked to call at Station Pier during the upcoming 2007-08 cruise shipping season. The season will feature the *Queen Victoria* which visits Melbourne as its first Australian port of call in February 2008 during its maiden round-the-world voyage. Of these 40 ships, a record ten cruise ships are also scheduled to make their maiden visits to Melbourne next season.

PoMC is also planning further investment in the Station Pier facilities to ensure the heritage landmark can meet the needs of the modern fleet of cruise ships and the expectations of their passengers.



# Performance overview

**PoMC's 2004-05 – 2006-07 Corporate Plan included the following key strategic outcomes:**

**Customer focus**

**Logistics network**

**Economic and financial performance**

**Licence to operate**

**People**

## **Customer focus**

***Making Melbourne the port of choice for cargo owners and service providers.***

In the past year, a number of business and stakeholder development initiatives have been implemented including:

- expansion of PoMC's business development team to include further specific cargo and shipping line expertise
- integration of the business development function with the Planning and Development Division to deliver sustainable and workable solutions for infrastructure capacity
- facilitation of network opportunities which bring together regional and metropolitan cargo owners, transport operators and shipping lines
- improving our understanding of cargo requirements and supply chain constraints and working to resolve them
- PoMC was also pleased to host delegations from the Wimmera and Sunraysia regions in north-western Victoria to provide major exporters with an insight into the port's operations.

## **Logistics network**

***Supporting world class facilities, systems and services through innovation.***

- Capital expenditure of \$53 million on projects to upgrade and enhance marine and land side infrastructure, excluding the Channel Deepening Project.
- \$14.4 million remediation of Australia's premier international container terminal at Swanson Dock as part of a \$38 million investment.

- Completion of the \$7.9 million upgrade to security infrastructure across the port.
- \$6.9 million Station Pier maintenance and development involving lowering the central roadway and installation of a baggage handling system as part of a \$15 million upgrade to Victoria's cruise ship gateway.
- Upgrading of navigational aids and improvements to marine safety including the establishment of two new ship passing lanes adjacent to the existing Port Melbourne Channel and the completion of marking a Transit Only Zone.
- Establishment of the 'Steer Clear' campaign as a key boating safety message which highlights the dangers for small recreational boats of anchoring or drifting in the shipping channels.
- Successful completion of a \$1.3 million maintenance dredging program.

## **Economic and financial performance**

***A profitable and financially independent organisation with the capacity to fund long-term port-related infrastructure and services necessary to support economic growth.***

- Operating profit of \$22.0 million after tax.
- Revenue totalled \$142.1 million, an increase of \$6.9 million (5%) on the previous year.
- Total expenses increased by \$16.9 million to \$107.7 million.
- Dividends of \$20.4 million were paid to the Victorian Government.



- Net assets amounting to \$765.8 million.
- PoMC's interest cover ratio was 10.0 times compared with 16.6 times in the previous financial year and well in excess of PoMC's minimum target level.

#### Licence to operate

##### **Management and development of the port to provide a high level of physical security and economically, socially and environmentally sustainable outcomes.**

- PoMC continued its support of a number of charitable causes and community events, particularly port welfare services as a benefactor to the Mission to Seafarers and Stella Maris.
- The purpose-built Port Education Centre, located on the southern side of the Yarra River, continues to be a magnet for school and community groups. Specially tailored lessons about the role of the port include the areas of science, geography and history to fit with the primary and secondary school curriculum.
- PoMC continued its relationship with the community arm of the Western Bulldogs Football Club to develop community education and training programs for Melbourne's inner western suburbs, particularly among young adults.
- Implementation of voluntary water savings measures for shipping lines resulting in 80% reduction of potable water intake by ships in the last six months of financial year 2006-07 compared with the same period last year.

- Completion of a draft Water and Energy Management Strategy along with baseline water and energy audits for areas under PoMC control, across the port.
- Integrated Safety and Environment Management Plan was fully compliant with the requirements under the Port Services Act in the 2006-07 mid-term audit.
- PoMC also continued to contribute to the quarterly Whitehall Street Companies Community Liaison Group to inform key stakeholders, including residents, about the environmental investigations and actions being undertaken at 221 Whitehall Street.
- PoMC has developed a Contaminated Land Management Strategy which includes protocols and procedures for land assessment, management and potential remediation and is undertaking a comprehensive environmental assessment of all sites, including soil and ground water testing.

#### People

##### **Encouraging employees to reach their full potential and contribute to meeting PoMC's objectives.**

Over the past year, PoMC has implemented new 'people-focused' initiatives and honed existing initiatives including:

- entering into an extension of its 2004-07 enterprise agreement for a further 12 months until 23 August 2008 to cement good relations with staff, the Australian Maritime Officer's Union and the Association of Professional Engineers, Scientists and Managers Australia

- offering flexible working arrangements with a resultant ranking in the top twenty-five Australian companies in the Work/Life Initiatives, *The Way Ahead 2007 Benchmarking Study*
- recognising the rising average age of staff, who bring a wealth of experience to their respective roles, PoMC is assisting people in their life cycle transition by providing regular information on issues ranging from superannuation entitlements to the preparation of wills and trustee documentation
- providing staff access to all of the related programs and benefits related to the Over 50's Association
- supporting the Movers and Shakers Team (MAST) which organises a broad range of programs, seminars and information sessions on health and wellbeing, lunchtime yoga sessions, and encouraging healthy eating through initiatives such as 'Fruit of the Week' and organising complimentary gym memberships
- supporting MAST's wellness program aims to inspire behavioural change amongst staff members to improve their individual health and lifestyle and work life balance
- supporting and encouraging MAST's Recognition & Reward Program which recognises the outstanding achievements of individuals (or teams) who have performed beyond expectations in reflecting our corporate values
- introduction of Competency Based Training and Assessment throughout the organisation.

# Port pricing

## Price determination

Pursuant to the Port Services Act, the port industry in the Port of Melbourne is a regulated industry. The prices charged by PoMC for the provision of prescribed services are subject to regulation by the Essential Services Commission (ESC). Prescribed services provided by PoMC included the provision of channels for use by shipping, the provision of berths in connection with the berthing of vessels and the provision of short-term storage or cargo marshalling facilities in connection with the loading or unloading of vessels.

From June 2000 to June 2005 prices were subject to price determinations issued by the ESC. The ESC in its June 2004 inquiry report *The Regulation of Victorian Ports: Final Report* presented recommendations for a price monitoring regulatory framework to apply from 1 July 2005. The ESC implemented the recommendations through its *Price Monitoring Determination for the Victorian Ports* dated 30 March 2005. The key features of the framework are:

- PoMC is to determine and publish reference tariff schedules to set out standard terms and conditions
- PoMC and users may negotiate prices that differ from the reference tariff
- prices are subject to monitoring by the ESC

- the ESC will publish an annual monitoring report
- the ESC has a reserve power to inquire if there is evidence of significant abuse of market power.

Under the framework, PoMC has published a *Pricing Policy Statement* effective from 2005 to 2010 which specifies the economic and commercial rationale and principles that govern the derivation of its reference tariffs.

## Reference Tariff Schedule

From 1 July 2006, PoMC's *Reference Tariff Schedule* provided for:

- international container prices to be increased by 4.6%
- other wharfage prices to be increased by between 3% and 4.6%
- tonnage charges to remain unchanged, for the fourth successive year.

From 1 July 2007, PoMC's revised *Reference Tariff Schedule* will become effective. Key changes include:

- loaded container prices to be increased by 4.4%
- tonnage fees to increase marginally for the first time in four years
- international passenger vessels to be charged 34% of the published tonnage fee rate.

Details of PoMC's *Pricing Policy Statement* and the *Reference Tariff Schedule* are available on the PoMC website [www.portofmelbourne.com](http://www.portofmelbourne.com). Details of the ESC's *Price Monitoring Determination* and *Price Monitoring Reports* are available on the ESC website [www.esc.vic.gov.au](http://www.esc.vic.gov.au).

## Charges

PoMC's principal charges consisted of land and infrastructure rental, wharfage, tonnage, and berth hire, area hire and security as follows:

- Wharfage – charged in dollars per TEU for containerised cargo, or per tonne or cubic metre for non-containerised cargo.
- Land and infrastructure rental – the leasing fee charged to port tenants based on market values as per standard property industry practices.
- Tonnage – charged to shipping lines based on vessel's gross tonnage.
- Security – charge for the provision of security service related to prescribed services within the Port of Melbourne area.
- Hourly berth hire – charged to shipping lines for the use of liquid bulk facilities and passenger vessels.
- Area hire – charged to ships' agents or cargo owners based on the time cargo is stored at common user facilities before onward transport.

# Additional information

## Port Services Act 1995 (Vic)

Port of Melbourne Corporation has specific objectives, functions and powers under sections 12, 13 and 14 of the *Port Services Act 1995* (Vic). These are:

### Section 12. Objectives

The objectives of the Port of Melbourne Corporation are:

- (a) to manage and develop the port of Melbourne in an economically, socially and environmentally sustainable manner;
- (b) to ensure that essential port services of the port of Melbourne are available and cost effective;
- (c) to ensure, in co-operation with other relevant responsible bodies, that the port of Melbourne is effectively integrated with other systems of infrastructure in the State;
- (d) to facilitate, in co-operation with other relevant responsible bodies, the sustainable growth of trade through the port of Melbourne;
- (e) to establish and manage channels in port of Melbourne waters for use on a fair and reasonable basis.

### Section 13. Functions

- (1) The functions of the Port of Melbourne Corporation are:
- (a) to plan for the development and operation of the port of Melbourne;
  - (b) to provide land, waters and infrastructure necessary for the development and operation of the port of Melbourne;
  - (c) to develop, or enable and control the development by others of, the whole or any part of the port of Melbourne;
  - (d) to manage, or enable and control the management by others of, the whole or any part of the port of Melbourne;
  - (e) to provide, or enable and control the provision by others of, services for the operation of the port of Melbourne;
  - (f) to promote and market the port of Melbourne;
  - (g) to facilitate the integration of infrastructure and logistics systems in the port of Melbourne with relevant systems outside the port;
  - (ga) to manage and, in accordance with standards developed by the Director of Marine Safety, to dredge and maintain channels in port of Melbourne waters;

- (gb) to provide and maintain, in accordance with the standards developed by the Director of Marine Safety, navigation aids in connection with the navigation in the port of Melbourne waters;
  - (gc) generally, to direct and control, in accordance with the *Marine Act 1988*, the movement of vessels in port of Melbourne waters;
  - (h) any other functions that are conferred on the Corporation by or under this or any other Act.
- (2) The Port of Melbourne Corporation must carry out its functions under sub-section (1) in a manner that:
- (a) is safe and secure; and
  - (b) is environmentally sustainable; and
  - (c) is effective and efficient; and
  - (d) is commercially sound; and
  - (e) has regard for the persons living or working in the immediate neighbourhood of the port of Melbourne.

### Section 14. Powers of the Port of Melbourne Corporation

The Port of Melbourne Corporation:

- (a) subject to section 15, may acquire or dispose of real or personal property;
- (b) may enter into contracts, agreements, leases or licences;
- (c) may employ agents or contractors;
- (d) may act as an agent of another person;
- (e) may form, or participate in the formation of, or be a member of, companies;
- (f) may form, participate in the formation of, and may participate in, partnerships, trusts, unincorporated joint ventures and other arrangements for sharing profits;
- (g) may act as trustee;
- (h) may engage in any business, undertaking or activity incidental to the performance of its functions;
- (i) may act as a committee of management under the *Crown Land (Reserves) Act 1978*;
- (j) may do all things necessary or convenient to be done for, or in connection with, the carrying out of its functions.

## Consultancies commissioned

During 2006-07, PoMC engaged consultancies to provide professional advice in relation to operations and capital activities for a total sum of \$14.3 million.

## Freedom of information

The *Freedom of Information Act 1982* (Vic) enables members of the public to obtain information held by PoMC. The Chief Executive Officer was the principal officer for the purpose of administering the requirements of the Act. Initial requests for documents under the Freedom of Information legislation for the period 1 July 2006 to 28 January 2007 were made in writing to the Corporate Counsel and Manager Corporate and Legal Services. For the period from 29 January 2007 to 30 June 2007, requests were made in writing to the Board Secretary.

Requests and responses had to comply with the provision of the Act. PoMC reserves the right to charge the appropriate gazetted fee for request processing and photocopying.

During 2006-07, there were four valid requests made to PoMC under the Freedom of Information Act. These requests were dealt with in the following manner:

Outcome of requests	Number of requests
Access granted in full	1
No documents available	2
Not finalised as at 30 June 2007	1

### Significant legislative changes

The *Maritime Legislation Amendment (Prevention of Air Pollution from Ships) Act 2007* (Cwth) was assented to and commenced in part on 15 March 2007. According to its Explanatory Memorandum, the Act implements Annex VI (Prevention of Air Pollution from Ships) of the International Convention for the Prevention of Pollution from Ships (MARPOL) as adopted by the International Maritime Organisation (IMO) in September 1997. MARPOL contains six annexes which deal with pollution by oil, noxious liquid substances carried in bulk form, noxious substances carried in packaged form, sewage and garbage, and air pollution. The Act sets limits on sulphur dioxide and nitrogen oxide emissions from ship exhausts, prohibits the deliverable emission of ozone depleting substances and includes a global cap of 4.5% on the sulphur content of fuel oil. Schedule 1 which implements MARPOL will commence on a date to be fixed by Proclamation.

The *Environment Protection (Amendment) Act 2006* (Vic), assented to on 29 August 2006, has commenced in part and will come into full effect by the end of 2007. The purpose of this Act is to amend the *Environment Protection Act 1970* (Vic) to:

- (a) reform the provisions relating to scheduled premises to improve the effectiveness efficiency of the licensing system
- (b) provide for Environment and Resource Efficiency Plans to facilitate environmental resource use efficiency
- (c) establish the Metropolitan Waste Management Group for the area of metropolitan Melbourne and provide for the creation of the Metropolitan Waste and Resource Recovery Strategy Plan
- (d) provide for the regulation of the provision of plastic bags
- (e) reform the prescribed industrial waste landfill levy
- (f) provide for enforceable undertakings
- (g) improve the operation of the Act.

The *Aboriginal Heritage Act 2006* (Vic) and *Aboriginal Heritage Regulations 2007* (Vic), which replaced the *Archeological and Aboriginal Relics Preservation Act 1992* (Vic) and Part IIA of the *Aboriginal and Torres Strait Islander Heritage Protection Act 1984* (Cwth), came into effect on 28 May 2007.

The legislation seeks to recognise, protect and conserve Aboriginal cultural heritage in Victoria and links the protection of Aboriginal cultural heritage directly with planning and land development process. The Act:

- requires an Aboriginal Cultural Heritage Permit to undertake works or an activity that will or is likely to harm Aboriginal cultural heritage
- requires a Cultural Heritage Management Plan for any high impact activity in an area of cultural heritage sensitivity (defined in the Regulations), or which requires an Environmental Effects Statement
- provides for Aboriginal Cultural Heritage Agreements to support the development of partnerships around the protection and management of Aboriginal cultural heritage.

The *Charter of Human Rights and Responsibilities Act 2006* (Vic) passed in July 2006, comes into effect in two stages:

- (a) From 1 January 2007, Parliament is required to ensure that all new legislation is compatible with the human rights enshrined in the Charter.
- (b) From 1 January 2008, all statutory provisions (whenever enacted) will need to be interpreted as far as possible in a way that is compatible with human rights. Courts and tribunals may consider international law and the judgments of domestic, foreign and international courts and tribunals in interpreting statutes. Furthermore, it will be unlawful for a public authority to act in a way that is incompatible with a human right, or to make a decision that is of a public nature which failed to give proper consideration to a relevant human right, unless the authority could not reasonably have acted differently or made a different decision by virtue of an Act or a requirement under law.

### Availability of additional information

The following information relating to PoMC, relevant to the period 2006-07, has been prepared and is available to the Minister, Members of Parliament and the public on request, including:

- declarations of pecuniary interests duly completed by relevant officers
- details of publications produced by PoMC about the Port of Melbourne and the places where publications can be obtained
- details of changes in prices, fees and levies charged by PoMC
- details of any major external reviews carried out on PoMC
- details of major research and development activities undertaken by PoMC
- details of overseas visits undertaken including a summary of the objectives and outcomes of each visit
- details of major promotional, public relations and marketing activities undertaken by PoMC to develop community awareness of the organisation and the services it provides
- details of assessments and measures undertaken to improve the occupational health and safety of employees
- a general statement on industrial relations within the PoMC and details of time lost through industrial accidents or disputes
- a list of committees sponsored.

### **National Competition Policy**

PoMC has complied with the Victorian Government's requirements in respect of the National Competition Policy by adopting the following behaviours and principles:

- clear and non-conflicting objectives
- managerial responsibility, authority and autonomy
- independent and objective performance monitoring
- performance-based rewards and sanctions
- competitive neutrality in input and output markets
- clear delineation of commercial and non-commercial activities
- clearly defined financial reporting requirements
- separate accounting for and funding of non-commercial activities
- appropriate return on assets used in the commercial activity
- application of a tax equivalent regime
- debt guarantee fees
- arrangements for allocation of profits from commercial activities.

### **Whistleblowers' protection**

The *Whistleblowers Protection Act 2001* (Vic) (WPA) provides for the protection of people who make disclosures about improper conduct by public bodies or public officers. PoMC has developed procedures for managing any such disclosure about the organisation or any of its officers. These procedures provide for appropriate receipt, assessment and investigation of disclosures and appropriate action to be taken after investigation. They also provide for managing the welfare of the whistleblower and the person against whom a disclosure had been made.

Any disclosures about PoMC can be made by letter, telephone, facsimile or email to the organisation's delegated Protected Disclosures Coordinator. The Protected Disclosures Coordinator is required to liaise with the Chief Executive Officer on these matters.

During 2006-07 there were:

- a) no disclosures made to PoMC
- b) no disclosures referred by PoMC to the Ombudsman for determination as to whether they are public interest disclosures
- c) no disclosed matters referred to PoMC by the Ombudsman
- d) no disclosed matters referred by PoMC to the Ombudsman to investigate
- e) no investigations of disclosed matters taken over by the Ombudsman from PoMC
- f) no requests made under section 74 of the WPA to the Ombudsman to investigate disclosed matters
- g) no disclosed matters that PoMC declined to investigate
- h) no disclosed matters that were substantiated on investigation and therefore there was no action taken on completion of investigation
- i) no recommendation of the Ombudsman under the WPA that related to PoMC.

PoMC's procedures for managing disclosures made pursuant to the *Whistleblowers Protection Act* are available on the organisation's website [www.portofmelbourne.com](http://www.portofmelbourne.com).

### **Assets**

All assets of PoMC were noted on a register maintained by the organisation in accordance with the *Financial Management Act 1994* (Vic).

### **Building and maintenance compliance**

PoMC buildings were maintained in accordance with the relevant building and maintenance provisions in the *Building Act 1993* (Vic) and Building Regulations 1994 (Vic).

All PoMC owned buildings were audited in accordance with Part II of the Building Regulations 1994.



# Statement of Corporate Intent

## 2007-08 to 2009-10

### 1 VISION AND GOALS

The Port of Melbourne will be the core of Australia's premier trade and transport hub, creating prosperity while sustaining environmental and social wellbeing for the people of Victoria and Australia.

PoMC's goals are focused on achieving the corporate vision and are responsive to the organisation's charter ensuring a balanced and sustainable approach to the development and management of the port.

- 1 Innovative and high quality facilities and services
- 2 Integration of the port with land transport systems
- 3 Trade and trade-related business facilitation and expansion
- 4 Sustainable financial performance
- 5 Retain the port's licence to operate as a city port

### 2 FOREWORD

Port of Melbourne Corporation (PoMC) is the strategic manager of the Port of Melbourne. Each year, PoMC prepares a three-year corporate plan to describe for government and guide management on the strategic directions and objectives of the port. These directions are consistent with the Victorian Government's specific objectives, as detailed in the *Port Services Act 1995* (Vic) and require the following undertakings:

- Manage and develop the port in an economically, socially and environmentally sustainable manner.
- Ensure essential port services are available and cost effective.
- Ensure effective integration of the port with other systems of infrastructure in the state.
- Facilitate sustainable trade growth.
- Manage the channels in the port for use on a fair and reasonable basis.

The Corporate Plan is driven by PoMC's commitment to implement policies endorsed by the Victorian Government which relate to the port's development and operation, together with the activities of a significant number of private sector businesses who use and/or invest in the port. Significantly, the implementation of the Corporate Plan requires PoMC to work closely with the private sector and government agencies. PoMC is also required to monitor performance and report on its activities to the Minister for Roads and Ports and the Treasurer on a quarterly basis.

This Statement of Corporate Intent provides a synopsis of PoMC's 2007-08 to 2009-10 Corporate Plan.

Guiding PoMC's strategic directions is a set of goals which embrace the broad scope and nature of its activities and responsibilities.

These goals are:

- innovative and high quality facilities and services
- integration of the port with land transport systems
- trade and trade-related business facilitation and expansion
- sustainable financial performance
- retaining the port's licence to operate as a city port.

The scope of these goals indicates the need for PoMC to take a balanced approach in the pursuit of its vision. As a city port adjoining four increasingly urbanised local municipalities, PoMC must be mindful of community expectations and ensure that its operations are environmentally sustainable and responsible and continue to contribute to the economic social well-being of Victoria and Australia.

There is a range of management initiatives and actions that contribute to the identified corporate strategies. Among these, priority projects emphasising matters of strategic significance will be addressed by PoMC.

These projects are focused on maintaining the port's competitive advantages:

- building capacity to accommodate future trade growth
- ensuring the port's infrastructure, water and land transport connections
- operational efficiencies continue to meet the changing needs of port customers.

The Channel Deepening Project remains a key focus for the organisation. In addition, there are also a number of land side projects and initiatives outlined within the Port Development Plan which are gaining momentum. These include future terminal developments, the Dynon Port Rail Link, Melbourne Port@L, Webb Dock Rail Link and developing the port's position within the wider port system. PoMC is also committed to enhancing relationships with its neighbours and to ongoing improvements in the operation of its safety, security and environmental programs.

As a financially independent organisation, PoMC will remain commercially focused to meet its shareholder obligations, generating sufficient funds to implement its capital investment program

and optimising complementary capital investment in port-related infrastructure by the private sector. An emphasis on building the organisation's skill base and encouraging a culture of shared responsibility is also essential to achieving PoMC's vision.

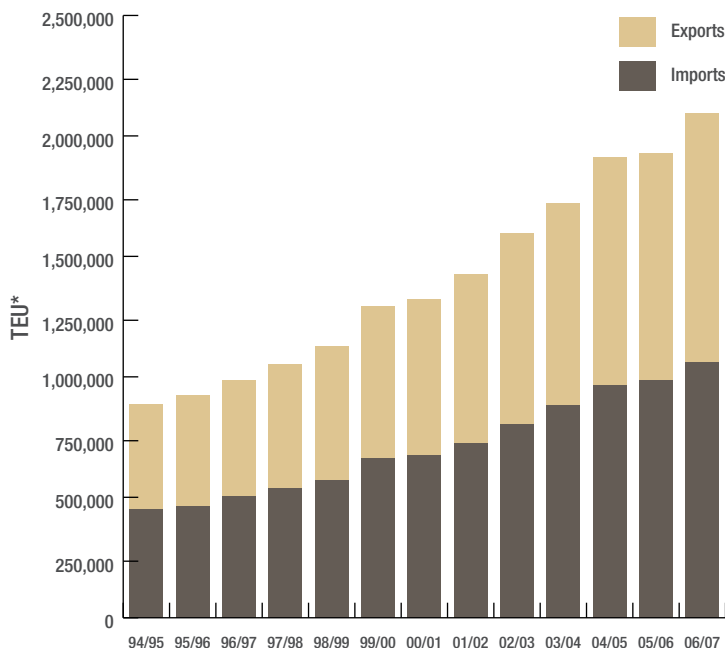
PoMC's values guide the behaviour and decision making of the organisation and encourage employees to continually improve performance. These values are focused towards:

- customers, quality and service excellence
- environmental, safety and social wellbeing
- valuing our people
- acting with openness, integrity and honesty
- promoting innovation and building a strong team environment.

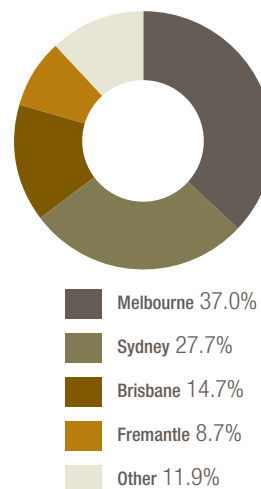
The Corporate Plan also provides direction for PoMC's work with stakeholders, customers and the community. By setting the strategic business priorities for 2007-08, the plan provides the basis for business planning, resource allocation, and for managing and measuring the organisation's performance.

**FIGURE 1: Melbourne import/export total Container throughput (1994-95 – 2006-07)**

(\*Twenty-Foot Equivalent Units)



**FIGURE 2: Australian container trade market share (2006-07)**



### 3 STRATEGIC DIRECTION

PoMC is committed to pursuing an ambitious, yet essential, agenda of sustainable growth for the port. This program is designed to ensure the port can accommodate and support Victoria's future trade growth by maximising operational efficiencies, ensuring timely provision of port facilities and infrastructure, and improving accessibility between the land and sea interface.

The port is a critical link in a network of competing transport logistics chains that transfer both international and domestic trade within, from and to Australia. As a manager of this strategic logistics link, it is essential that PoMC supports and provides value added services to the maritime and land based freight and logistics operators involved in the freight transport task. In addition, PoMC can act as an active agent of influence on the efficiency and effectiveness of, and across, these logistics systems and ensure that the port's operations are undertaken in a safe, secure, environmentally and socially responsible manner.

To achieve its vision for the port and to ensure it operates effectively and efficiently, PoMC will be guided by the following five goals over the 2007-08 to 2009-10 period:

<b>Goal 1</b>	<b>Innovative and high quality facilities and services</b> <i>To develop fit-for-purpose services and facilities which are secure, reliable, technologically efficient, innovative safe and meet customers needs.</i>
<b>Goal 2</b>	<b>Integration of the port with land transport systems</b> <i>To ensure that the port is fully integrated with land transport systems promoting the seamless transfer of cargo through the port.</i>
<b>Goal 3</b>	<b>Trade and trade-related business facilitation and expansion</b> <i>To facilitate and expand trade and trade-related business opportunities.</i>
<b>Goal 4</b>	<b>Sustainable financial performance</b> <i>To operate a self-sustaining, financially independent and cost effective organisation.</i>
<b>Goal 5</b>	<b>Retain the port's licence to operate as a city port</b> <i>To commit to continuous improvement towards sustainable environmental performance, port safety and land use planning, and to develop mutually beneficial relationships with surrounding communities and stakeholders.</i>

### 4 PRIORITY PROJECTS – 2007-08

PoMC has established a number of priority projects for 2007-08 which are directed at meeting PoMC's statutory objectives and responding to, and anticipating, the challenges faced and opportunities presented by changes in the business environment.

Taken together with PoMC's budgeted financial and operational outcomes, these projects represent the major elements of PoMC's 2007-08 Business Plan. For each PoMC goal there is at least one priority project, which is further underpinned by a number of divisional level objectives. These objectives and PoMC's recurrent operational outcomes have an impact on all aspects of PoMC's activities including:

- planning and implementation of the port's maritime and land infrastructure needs
- trade growth
- international and domestic passenger arrivals;
- provision of port services
- jurisdictional responsibilities
- management of the port's environs
- security, safety and environmental management
- professional development of PoMC's employees.

The 2007-08 Priority Projects are as follows:

Priority projects	Project description
<b>Jurisdictional and Regulatory Review Project</b>	The Jurisdictional and Regulatory Review Project recognises the resource demands of continued liaison with the Victorian Government regarding the resolution of navigational responsibilities and management in the port's jurisdictional waters. In particular, this project will seek legislative amendment to clarify the specific roles and responsibilities of PoMC, Marine Safety Victoria and Parks Victoria in relation to navigational safety and management of recreational and commercial vessels.
<b>Port Services Review Project</b>	The Port Services Review Project aims to benchmark current services provided in the port by third-party service providers such as towage, pilotage, terminal operations etc., to evaluate the efficiency of service delivery and provide consideration of the range of intervention measures which may be applied to ensure efficiency of service.
<b>Property 2035</b>	Following the release of PoMC's Port Development Plan, the Property 2035 project will focus on implementing PoMC's blueprint for future development and ensure a strategic approach to management of PoMC's land holdings and property development initiatives.
<b>Channel Deepening Project</b>	Subject to the receipt of all relevant approvals which enable it to proceed, the proposed Channel Deepening Project will remain a vital infrastructure project until its completion.
<b>Knowledge Management System</b>	There are opportunities to improve the exchange of data and information throughout PoMC and the wider port system. The Knowledge Management System project aims to further enhance PoMC's ability to transfer, integrate and apply business intelligence to enhance the facilities and services of the port.
<b>Port System Project</b>	There is an emerging awareness that the port is part of the wider logistics system. The Port System Project focuses on defining the port's appropriate role and its contribution to the efficient development of this system. The Port System Project integrates consideration of specific transport network issues including road and rail infrastructure and modal share, operational systems such as Smart Freight, intermodal facilities development and the integration of market intelligence. The Port System Project will inform and provide direction on PoMC's position in relation to the Melbourne Port@L Strategy.
<b>Empty Container Management Strategy</b>	Australia's growing trade imbalance has made its mark on the port in the form of empty shipping containers. The storage and repositioning of these containers will continue to be a critical element of the port system requiring appropriate planning and management.
<b>Dynon Port Rail Link Project (DPRL)</b>	DPRL will provide uninterrupted rail access into the port through grade separation of road and rail at the Footscray Road intersection. A key focus will be the continued participation and contribution towards the management and delivery of this critical infrastructure project.
<b>Marketing Plan</b>	Targeted marketing that promotes commercial opportunities and the strengths of the port and builds on existing relationships will ensure that trade growth is supported into the future. The Marketing Plan project seeks to identify critical business relationships and to develop a strategic approach to fostering such relationships to ensure that PoMC is in a strong position to facilitate trade and trade-related activities.
<b>Trade and Business Development Strategy</b>	To achieve PoMC's trade objectives, it is necessary to influence the choice of those parties who can generate and/or direct the flow of cargo. A comprehensive understanding of our markets ensures that PoMC resources are targeted to deliver the most effective solutions and appropriate mix of trades and will maximise the extent of influence over identified trade opportunities. The Trade and Business Development Strategy project seeks to formalise and provide a framework for integration of market intelligence in the management of the organisation. Further, this project will explore the specific business opportunities available to PoMC and provide a structured approach through which to realise these opportunities.
<b>Corporate Business Model</b>	The further development of a flexible model that contemplates the significant investment, including Channel Deepening Project (CDP), planned by PoMC, focuses on maintaining competitive prices and underpins sound business strategy will be achieved through the Corporate Business Model project. The refinement of PoMC's business model will continue through 2007-08 and will include detailed consideration of pricing structures and policies particularly in relation to the CDP and a review of the detailed business case for CDP and preparation of a detailed financial plan. In light of the financial position presented by the start of the CDP, more attention will be paid to the organisation's operating and administrative costs.
<b>Port Environs Framework</b>	The Port Environs Framework seeks to provide a progressive structure of planning controls to manage the interests of the Port of Melbourne and surrounding communities.
<b>Human Resources Management Strategy</b>	It is recognised that PoMC's employees are the key to successful port management and efficient functioning of the organisation. The current labour market shortages also mean that it is very important for PoMC to ensure it can attract and retain quality employees. PoMC is seeking a management strategy to achieve this. This strategy will seek to explore flexible employment models to cater for a diverse range of work/life balances.

## 5 SERVICES PROVIDED

PoMC's key functions involve the planning, development, management and provision of a wide range of services to support the efficient and effective operation of the port.

These services include:

- the provision of channels with adequate depth, through and from Port Phillip Heads to the port
- specialised, high quality port facilities in the form of berths and storage facilities for both cargo and passenger vessels
- provision and management of road, rail and associated transport infrastructure within the port
- safe and efficient shipping control in Port of Melbourne waters
- safe navigation for shipping
- value added services, including trade development, customised port facilities and logistics advice on cost effective transport
- overseeing the implementation of Port of Melbourne security and security procedures that fully comply with legislation and international standards
- integrated management of port safety and environmental risks.

## 6 CUSTOMERS AND STAKEHOLDERS

As a port manager and trade facilitator, PoMC's most important working relationships are those with its customers and stakeholders.

Customers are broadly defined as those with whom PoMC has some contractual, transactional or statutory relationship regarding the use of port facilities.

Stakeholders are those that have an interest in the activities and performance of PoMC and the port, and in some cases, have a controlling influence over infrastructure or have the capacity to assist in the development and financing of port related facilities and infrastructure.

PoMC strives to maintain interactive, constructive and strong relationships with its customers and stakeholders. These relationships are fostered through a variety of means consistent with PoMC's goals and strategies.

The following provides a list of PoMC's customers and stakeholders.

Customers	Stakeholders
<ul style="list-style-type: none"> <li>• Import and export cargo owners</li> <li>• Shipping lines</li> <li>• Port tenants</li> <li>• Customers of common user facilities</li> <li>• Cruise ships, passenger ferries and visiting vessels</li> <li>• Port service providers</li> <li>• Shipping agents</li> <li>• Transport operators</li> </ul>	<ul style="list-style-type: none"> <li>• The Victorian Government</li> <li>• The wider Victorian community, producers and consumers</li> <li>• Adjoining local governments and communities</li> <li>• Business and industry groups and peak bodies</li> <li>• Recreational, commercial and tourism vessel operators</li> <li>• Suppliers, consultants and contractors</li> <li>• Employees</li> </ul>

## 7 PERFORMANCE MEASUREMENT

Whole of port outcomes	Actual	Targets		
	2006-07	2007-08	2008-09	2009-10
Container crane rate – % of five mainland ports' average ( <i>Waterline</i> )	104.9%*	>100%	>100%	>100%
Container ships delayed (berth not available) - 'on window'	3.5%	<4%	<4%	<4%
- 'off window'	21.3%	<15%	<15%	<11%
Reportable incidents in the port	1	0	0	0
Port interface costs: \$/TEU ( <i>Waterline</i> ) vs Sydney - imports	92.0%**	<100%	<100%	<100%
- exports	91.6%**	<100%	<100%	<100%
Port throughput carried by rail (mass tonnes)	16.8%**	22%	24%	26%
Trade volume growth (revenue tonnes)	10.4%	5.9%	4.7%	4.9%
Cruise ship arrivals per season	30	45	40	42
Average TEUs per truck visit to port	1.17	1.14	1.17	1.17
Stakeholder/community Survey	n.a.	Establish benchmarks	+5%	+3%

Operational outcomes	Actual	Targets		
	2006-07	2007-08	2008-09	2009-10
Compliance with security regulations (shown as no. of PoMC breaches)	0	0	0	0
Compliance with safety regulations (shown as no. of PoMC breaches)	0	0	0	0
Compliance with environmental regulations (shown as no. of PoMC breaches)	0	0	0	0
Navigational aids availability (vital)	99.8%	99.8%	99.8%	99.8%
Customer satisfaction rating (each two years)	n.a.	+5%	n.a.	+3%
PoMC charges per TEU vs Sydney (average for international containers)	61.1%**	<100%	<100%	<100%
Satisfaction level of staff	Survey scheduled for Q4	65-75	65-75	65-75

Financial outcomes	Actual	Targets		
	2006-07*	2007-08	2008-09	2009-10
Return on capital employed	2.9%	4.2%	4.9%	4.3%
Interest cover (times)	10.0	4.4	3.4	2.6
Gearing Ratio (year end)	10.7%	28.4%	45.1%	51.0%
Expenses vs revenue (excluding CDP)	45.6%	45.6%	43.5%	41.7%
Capital expenditure (excluding CDP) vs budget	92.0%	100%	100%	100%

\* Dec Qtr 2006

\*\* July - Dec 2006

## 8 TARGET CAPITAL STRUCTURE

PoMC's target capital structure for the next three years is set out below:

	2006-07 Actual \$m	2007-08 Budget \$m	2008-09 Forecast \$m	2009-10 Forecast \$m
Total assets	1,024.3	1,265.9	1,648.2	1,817.9
Total liabilities	258.5	484.2	845.7	1,005.0
Shareholder equity	765.8	781.7	802.5	812.9
Equity/Total assets (%)	74.8%	61.8%	48.7%	44.7%

## 9 KEY BUSINESS POLICIES

### Basis of accounting

PoMC's financial statements are prepared as a general purposes financial report in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views, other mandatory reporting requirements and the *Financial Management Act 1994* (Vic).

### Income tax

Pursuant to the *State Owned Enterprise Act 1992* (Vic), PoMC is subject to the National Income Tax Equivalent Regime. In accordance with this legislation, PoMC is required to pay the Victorian Government's Consolidated Fund, an amount determined to be equivalent to the amount that would be payable by PoMC if it was subject to the Commonwealth *Income Tax Assessment Act 1936*.

### Dividend provision

The Port Services Act provides for the payment of a dividend by PoMC, as determined by the Treasurer of Victoria after consultation with PoMC's Board and the Minister for Roads and Ports. A dividend payout ratio of 50% has been allowed in the financial forecasts, adjusted for non-cash IFRS adjustments.

### Price regulation

PoMC's business is subject to a light-handed regulatory regime which is overseen by the state government's Essential Services Commission (ESC). During the period 2007-08 to 2009-10, PoMC will adjust its prices in accordance with the pricing policy established and agreed with the ESC.

### Business performance reporting

PoMC is required to monitor its financial and operational performance and report on its activities to the Minister for Roads and Ports and the Treasurer on a quarterly basis.

# Financial statements



## INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	<u>Note</u>	<u>2007</u> <u>\$000</u>	<u>2006</u> <u>\$000</u>
Revenue	2	142,113	135,185
Expenses, excluding finance costs	3	(107,719)	(90,805)
Finance costs	4	(3,472)	(2,087)
<b>Profit before income tax</b>		<hr/> 30,922	<hr/> 42,293
Income tax (expense)/benefit	5	(8,968)	6,206
<b>Profit after income tax</b>		<hr/> <hr/> 21,954	<hr/> <hr/> 48,499

The income statement is to be read in conjunction with the accompanying notes.

## BALANCE SHEET AS AT 30 JUNE 2007

	Note	2007 \$000	2006 \$000
<b>Current assets</b>			
Cash and cash equivalents	6	2,653	8,471
Receivables	7	15,181	10,633
Other financial assets	8	1,229	1,051
Current tax assets	5	-	2,771
Other	9	2,458	1,139
		<hr/>	<hr/>
		21,521	24,065
<b>Non-current assets</b>			
Infrastructure, property, plant and equipment	10	972,779	936,311
Investment properties	11	14,419	17,729
Intangible assets	12	115	260
Deferred tax assets	5	9,881	6,560
Other financial assets	8	5,631	6,860
		<hr/>	<hr/>
		1,002,825	967,720
<b>Total assets</b>			
		<hr/>	<hr/>
		1,024,346	991,785
<b>Current liabilities</b>			
Payables	13	24,075	27,312
Interest bearing liabilities	14	9,256	4,423
Current tax liabilities	5	3,350	-
Provisions	15	25,787	22,386
Other	16	14,763	6,985
		<hr/>	<hr/>
		77,231	61,106
<b>Non-current liabilities</b>			
Interest bearing liabilities	14	82,623	74,191
Deferred tax liabilities	5	98,566	97,943
Provisions	15	174	144
		<hr/>	<hr/>
		181,363	172,278
<b>Total liabilities</b>			
		<hr/>	<hr/>
		258,594	233,384
<b>NET ASSETS</b>			
		<hr/>	<hr/>
		765,752	758,401
<b>Equity</b>			
Contributed capital	17	685,898	680,101
Retained profits	18	79,854	78,300
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		765,752	758,401
		<hr/>	<hr/>

The balance sheet is to be read in conjunction with the accompanying notes.

**STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007**

	Note	<u>2007</u> <u>\$000</u>	<u>2006</u> <u>\$000</u>
<b>Total equity at the beginning of the financial year</b>		758,401	725,111
Capital contribution to Station Pier infrastructure by Victorian State Government	29	8,387	3,591
Transfer to Victorian State Government for Dynon Port Rail Link Project	29	(2,590)	-
<b>Total movements recognised directly in equity</b>		5,797	3,591
Profit after income tax		21,954	48,499
Dividends paid	18	(20,400)	(18,800)
<b>Total equity at the end of the financial year</b>		<u>765,752</u>	<u>758,401</u>

The statement of changes in equity is to be read in conjunction with the accompanying notes.

## CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	Note	2007 \$000	2006 \$000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of good and services tax)		157,323	141,979
Interest received		479	1,685
Payments to suppliers and employees		(80,926)	(68,754)
Finance costs		(5,446)	(4,064)
Goods and services tax paid		(3,627)	(3,609)
Income taxes paid		(5,545)	(7,248)
Net cash inflow/(outflow) from operating activities	19	62,258	59,989
<b>Cash flows from investing activities</b>			
Payments for infrastructure, property, plant and equipment		(72,369)	(79,698)
Proceeds from sale/disposal of infrastructure, property, plant and equipment		3,196	498
Net cash inflow/(outflow) from investing activities		(69,173)	(79,200)
<b>Cash flows from financing activities</b>			
Proceeds of borrowings		20,000	21,000
Repayments of borrowings		(4,300)	(6,000)
Proceeds from equity transfer		5,797	3,694
Dividends paid		(20,400)	(18,800)
Net cash inflow/(outflow) from financing activities		1,097	(106)
<b>Net decrease in cash and cash equivalents held</b>			
Cash and cash equivalents at the beginning of the financial year		8,471	27,788
<b>Cash and cash equivalents at the end of the financial year</b>	6	2,653	8,471

The cash flow statement is to be read in conjunction with the accompanying notes.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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#### (a) Basis of preparation

The financial report of Port of Melbourne Corporation (PoMC) is a general purpose financial report that consists of an income statement, balance sheet, statement of changes in equity, cash flow statement and notes accompanying these financial statements.

This general purpose financial report complies with Australian Accounting Standards, Urgent Issues Group Interpretations, other mandatory reporting requirements and the *Financial Management Act 1994* (Vic). This financial report has been prepared on the accrual and going concern basis. Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS).

All accounting policies have been consistently applied during the year. The statements have been prepared in accordance with the historical cost convention, except for certain assets and liabilities which, as noted, are at valuation. Where practicable, comparative amounts are presented and classified on a basis consistent with the current year.

#### (b) Income tax

PoMC is subject to the National Tax Equivalent Regime. In accordance with this legislation, PoMC is required to pay to the Consolidated Fund, amounts determined to be equivalent to the amounts that would be payable by PoMC if it was subject to the Commonwealth *Income Tax Assessment Act 1936*.

The income tax expense for the year ended 30 June 2007 is the tax payable on the current year's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled based on tax rates which are enacted at the end of the financial year.

Income taxes relating to items attributable to amounts recognised directly in equity are also recognised directly in equity and not in the income statement.

The income tax expense for the year is calculated using an income tax rate of 30% (2006: 30%).

#### (c) Impairment of assets

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

- financial assets (refer note 1(f))
- investment property that is measured at fair value (refer note 1(h))
- deferred tax assets (refer note 1(b)).

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off by a charge to the income statement except to the extent that the write-down can be debited to an asset revaluation reserve amount applicable to that specific asset. The recoverable amount for assets is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

#### (d) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits at call and other highly liquid investments held with financial institutions. These deposits and investments are readily convertible to cash and are subject to an insignificant risk of changes in value.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(e) Receivables**

Trade receivables, which generally have 15 to 30 day terms, are recognised initially at the original invoice amount. Collectability of trade receivables is reviewed on an ongoing basis and a specific provision is made for doubtful debts where there is objective evidence that PoMC will not be able to collect all amounts due. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the income statement.

Bad debts are written off in the period in which they are recognised.

**(f) Other financial assets**

*Finance lease*

Amounts due from lessees under finance leases are recorded as *Other Financial Assets* in the Balance Sheet. Leases, which effectively transfer substantially the entire risks and benefits incidental to ownership of the leased property of PoMC, are capitalised to the value of the minimum lease payments receivable and are recognised as investments. The investment is reduced by the principal component of lease receipts. The interest component is credited to the income statement.

**(g) Infrastructure, property, plant and equipment**

Under AIFRS, AASB 116 *Property, Plant and Equipment* and AASB 140 *Investment Properties* permit infrastructure, property, plant and equipment and investment properties to be measured either using the cost or fair value model. The Department of Treasury and Finance's (DTF) Financial Reporting Directions (FRDs) have restricted this measurement option and has mandated the use of fair value unless PoMC has received the prior written approval of the Minister for Finance to measure these assets at cost.

PoMC has been determined to be a 'for profit' entity under AIFRS and is required to use discounted cash flow methodology (using the long-term bond rate) to determine the fair value assets and test for impairment. However, PoMC has received the Minister for Finance's temporary exemption from applying the fair value model requirements of FRD 103 *Non-Current Physical Assets*, for the 2005-06 and 2006-07 reporting periods in relation to port infrastructure assets (including shipping channel assets, piers, wharves, buildings, land, berths, land tracks, roadways, sewer, plumbing, electrical and lighting systems that form part of the infrastructure assets of the port). This exemption enables PoMC to value its assets at cost, provided that cost exceeds the present value of future cash flows.

Land and buildings held by PoMC to provide a port facility to facilitate trade and commerce will be accounted for as infrastructure assets under AASB 116 notwithstanding that the land and buildings are leased to port operators.

Land and buildings that are not integral or associated with port activities and are leased with the principal objective of earning rentals or for capital appreciation, or both, are to be accounted for as investment properties under AASB140. Refer to Note 11 for details.

**(i) Depreciation**

Infrastructure, property, plant and equipment assets having limited useful lives are systematically depreciated over their estimated useful lives to PoMC, in a manner which reflects consumption of the service potential embodied in those assets. Depreciable assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

The remaining useful lives of all depreciable assets are reviewed on an annual basis to reflect technical and economic developments and depreciation rates adjusted accordingly. Straight line depreciation is charged based on the residual useful life as determined each year. The expected useful lives of depreciable assets are as follows:

Buildings and improvements	7 –55 years
Plant and equipment	2 –11 years
Channel assets	40 years
Major maintenance dredging (capitalised)	4 years

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (ii) Change in accounting estimates

The estimated useful lives, residual values and depreciation method are reviewed at the end of each financial reporting period and, where changed, are accounted for as a change in accounting estimate. Where depreciation rates or methods are changed, the net written down value of the asset is depreciated from the date of the change in accordance with the new depreciation rate or method. A review of the lives of depreciable assets during the year resulted in a reduction to the depreciation expense for the year of \$0.276 million (2006: \$0.961 million).

### (iii) Acquisition

The purchase method of accounting is used for all acquisitions of assets, being the fair value of the assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisition. Where assets are constructed by PoMC, the costs at which they are recorded included the appropriate share of labour costs.

Infrastructure, property, plant and equipment represent non-current assets comprising land, buildings and improvements, channel assets, and plant and equipment used by PoMC in its operations. Items with a cost or value in excess of \$500 and a useful life of more than one year are recognised as assets. All other assets acquired are expensed.

### (iv) Recoverable amount

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

### (v) Repairs and maintenance

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

### (vi) Major maintenance dredging costs

The shipping channels in port waters are subject to deterioration through siltation, which reduces the depth of water available to commercial shipping. The channels are restored to proper depths by routine maintenance dredging which is systematically carried out at three to four yearly intervals. Dredging and associated costs include all costs incurred under the dredging contract to restore the channels to proper depths. These costs are capitalised to the balance sheet and amortised over a four year period.

## (h) Investment properties

Land and buildings that are not integral or associated with port activities and are leased with the principal objective of earning rentals or for capital appreciation, or both, are accounted for as investment properties under AASB140.

Subsequent to initial recognition at cost, investment properties are revalued to fair value with changes in fair value recognised as income or expense in the period in which they arise. These properties are not depreciated (refer to note 11).

## (i) Intangible assets

PoMC has purchased various computer software assets which are stated at cost less accumulated depreciation and impairment. They are depreciated on a straight-line basis over their useful lives as follows (refer to note 12).

## (j) Leases

### (i) Finance lease

Leases, which effectively transfer substantially the entire risks and benefits incidental to ownership of the leased property of PoMC, are capitalised at the present value of the minimum lease payments receivable and are recognised as investments. The investment is reduced by the principal component of lease receipts. The interest component is credited to the income statement.

### (ii) Operating lease

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense in the year in which they are incurred. This reflects the pattern of benefits derived by PoMC.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(k) Payables**

Liabilities are recognised for amounts payable in the future for goods and services received, whether or not they have been billed to PoMC. The amounts are unsecured and are usually paid within 60 days of recognition.

**(l) Interest bearing liabilities**

Interest bearing liabilities are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, interest bearing liabilities are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the income statement.

**(m) Finance costs**

Finance costs are recognised as expenses in the period in which they are incurred. Finance costs include interest on bank overdrafts and interest on borrowings.

**(n) Provisions**

Provisions are recognised when PoMC has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

**(o) Employee benefits**

**(i) Wages, salaries and sick leave**

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

**(ii) Annual leave**

Annual leave entitlements (including on costs) are accrued on a pro rata basis in respect of services provided by employees up to the reporting date, having regard to rates expected to apply when the liabilities are settled. The provision has been recognised as a current liability.

**(iii) Long service leave**

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

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

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

**(iv) Superannuation**

PoMC's employees are covered for superannuation benefits as members of defined benefit superannuation schemes being the Port of Melbourne Superannuation Fund, the State Superannuation Scheme and the Transport Superannuation Scheme and various accumulation schemes including the Victorian Superannuation Scheme.

#### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A liability in respect of the Port of Melbourne Superannuation Fund is recognised in the balance sheet in the provision for employee benefits, and is determined using the Projected Unit Cost Method, with actuarial valuations being carried out at each reporting date. Actuarial gains and losses are recognised in full in the income statement in the period in which they occur.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The net liability recognised in the balance sheet represents the present value of the defined benefit obligation, adjusted for unrecognised past service cost, net of the fair value of the plan assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reduction in future contributions to the plan.

Contributions to defined benefit schemes are based on a fixed percentage of members' annual salary as actuarially determined. Contributions to defined contribution funds are in accordance with the Commonwealth *Superannuation Guarantee (Administration) Act 1992*. Contributions are charged as an expense as the contributions are paid or become payable. Any deficiency in the net assets of a defined benefit scheme is recognised as a liability when it arises (refer to note 24 *Superannuation*).

#### **(p) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to PoMC and the revenue can be reliably measured.

Wharfage charges (charges on goods) are levied on cargo passing through the port and recognised as revenue at the time of the related vessel's departure from a berth.

Interest revenue is recognised as the interest accrues to the net carrying amount of the financial asset using the effective interest method.

All other revenue from major business activities is recognised at the time the service to which the revenue relates is provided or work is undertaken and the revenue is receivable.

#### **(q) Environmental restoration costs**

PoMC's land and channel assets are subject to varying degrees of contamination. Environmental restoration costs are progressively charged as part of expenses from ordinary activities when incurred. Environmental restoration feasibility studies which will probably result in a future sacrifice of economic benefits and can be measured reliably are charged as expenses from operating activities and recognised as a provision.

The direct costs of remediation are included in the cost of the land (where it is expected to enhance the value of the land by providing future economic benefits) and the raising of a corresponding liability or provision when the obligation for remediation arises.

Environmental restoration costs which will possibly result in a future sacrifice of economic benefits are recognised as contingent liabilities.

#### **(r) Dividend policy**

PoMC pays dividends in accordance with a determination of the Treasurer of Victoria under the Port Services Act.

The obligation to pay a dividend arises after consultation between PoMC's Board, the Minister for Roads & Ports and the Treasurer of Victoria. Following this consultation process, the Treasurer makes a formal determination.

#### **(s) Contributed capital**

Consistent with applicable Australian reporting requirements and the Financial Management Act, transfers and appropriations for additions of net assets between PoMC and other state government departments have been designated as contributed capital.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(t) Derivative financial instruments**

*Forward exchange contracts*

PoMC has entered into forward exchange contracts where it agrees to buy specified amounts of foreign currency in the future at a predetermined exchange rate. The objective is to match the contract with anticipated future cash flows from purchases in foreign currencies, to protect PoMC against the possibility of loss from future exchange rate fluctuations. The forward exchange contracts are not for longer than 12 months.

Forward exchange contracts are recognised at the date the contract is entered into. Exchange gains and losses on forward exchange contracts are recognised in the income statement.

**(u) Rounding of amounts**

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

**(v) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of GST except where the amount of GST incurred is not recoverable, in which case it is recognised as part of the cost of acquisition of an asset or part of an item of expense. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as part of receivables or payables in the balance sheet. The GST component of a receipt or payment is recognised on a gross basis in the cash flow statement.

**(w) Critical accounting estimates and judgements**

In preparing this financial report, judgements and estimates have been made regarding:

- income and expenses for the year
- the reported amounts of assets and liabilities
- the disclosure of off balance sheet arrangements, including contingent assets and contingent liabilities.

These estimates and judgements are evaluated at least annually and may be based on historical experience and other factors, including expectations of future events. Estimates and judgements are believed to be reasonable under the circumstances and, where appropriate, are consistent with practices adopted by other State Government agencies.

**(x) New standards and interpretations issued but not yet effective**

At the date of this financial report the following standards and interpretations, which may impact the entity in the period of initial application, have been issued but are not yet effective:

Reference	Title	Application date (financial years beginning)
AASB 7	Financial Instruments: Disclosures	1 January 2007
AASB 2005-10	Amendments to Australian Accounting Standards arising from AASB 7	1 January 2007
AASB 101	Presentation of Financial Statements	1 January 2007
AASB 123	Borrowing Costs	1 January 2009
AASB 2007-6	Amendments to Australian Accounting Standards arising from AASB 123	1 January 2009
AASB 2007-4	Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments	1 July 2007
AASB 2007-7	Amendments to Australian Accounting Standards	1 July 2007

Certain new accounting standards and interpretations have been published and are not mandatory for 30 June 2007 reporting periods.

Application of the standards will not effect any of the amounts recognised in the financial statements but will impact on the type of information disclosed in the financial statements.

## NOTE 2. REVENUE

	<u>2007</u> <u>\$000</u>	<u>2006</u> <u>\$000</u>
<b>Revenues from continuing operations</b>		
Charges on goods	77,257	69,876
Rent and licence fees	30,954	29,611
Channel usage charges	18,948	17,650
Land tax recovered from tenants	3,827	4,831
Charges for berth and area hire	2,233	2,075
Income received from investment properties	1,362	1,523
Proceeds from disposal of infrastructure, property, plant and equipment	617	507
Recoverable works	1,396	1,531
Other charges for services	2,385	2,607
Total revenues from continuing operations	<u>138,979</u>	<u>130,211</u>
<b>Other income</b>		
Interest received	1,695	2,103
Fair value adjustment to investment properties (refer to note 11)	853	1,961
Other revenue	586	910
Total other income	<u>3,134</u>	<u>4,974</u>
Total revenue	<u><u>142,113</u></u>	<u><u>135,185</u></u>

## NOTE 3. EXPENSES

	<u>2007</u> <u>\$000</u>	<u>2006</u> <u>\$000</u>
Contractor and consultant expenses	41,075	32,380
Depreciation and amortisation expenses	24,457	22,566
Salaries and employee benefits expenses	21,890	17,673
Land tax expense	8,413	8,561
Operating lease expenses	1,968	1,332
Written down value from disposal of infrastructure, property, plant and equipment	938	686
Other expenses	8,978	7,607
Total expenses	<u>107,719</u>	<u>90,805</u>

#### NOTE 4. FINANCE COSTS

	<u>2007</u> <u>\$000</u>	<u>2006</u> <u>\$000</u>
Loan and interest expenses	5,906	4,061
Fair value adjustment to borrowings	(2,419)	(1,933)
Amortisation of discount/premium on borrowings	(15)	(41)
Total finance costs	<u>3,472</u>	<u>2,087</u>

#### NOTE 5. INCOME TAX

##### (a) Income tax expense

	<u>2007</u> <u>\$000</u>	<u>2006</u> <u>\$000</u>
Current tax	9,774	3,477
Deferred income tax	(2,281)	(3,092)
Under/(over) provided in prior year	1,475	(6,591)
Total income tax expense/(revenue)	<u>8,968</u>	<u>(6,206)</u>

Deferred income tax expense/(revenue) included in income tax expense comprises:

Increase/(decrease) in deferred tax liabilities	1,039	(8,161)
(Increase)/decrease in deferred tax assets	(3,320)	5,069
Total deferred income tax	<u>(2,281)</u>	<u>(3,092)</u>

##### (b) Numerical reconciliation of income tax expense to prima facie tax payable

	<u>2007</u> <u>\$000</u>	<u>2006</u> <u>\$000</u>
Profit from continuing operations before income tax expense	30,922	42,293
Tax at the Australian tax rate of 30% (2006 = 30%)	9,277	12,688
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Current year research and development tax concession	(2,371)	(12,352)
Other net non-deductible/(assessable) items	587	49
Under/(over) provided in prior year (research and development tax concession)	1,475	(6,591)
Total income tax expense	<u>8,968</u>	<u>(6,206)</u>

**NOTE 5. INCOME TAX (continued)**

**(c) Deferred tax assets**

	<u>2007</u> <u>\$000</u>	<u>2006</u> <u>\$000</u>
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in the income statement</i>		
Employee benefits	2,247	2,002
Provision for restoration	3,529	1,301
Income received in advance	2,764	2,042
Accrued expenditure	1,149	1,101
Doubtful debts	192	114
Total deferred tax assets	<u>9,881</u>	<u>6,560</u>

**(d) Deferred tax liabilities**

	<u>2007</u> <u>\$000</u>	<u>2006</u> <u>\$000</u>
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in the income statement</i>		
Depreciation	16,970	16,250
Maintenance dredging	-	391
Prepayments	682	20
Other temporary differences	726	671
Revalued infrastructure, property, plant and equipment	<u>80,188</u>	<u>80,611</u>
Total deferred tax liabilities	<u>98,566</u>	<u>97,943</u>

**(e) Current tax assets and liabilities**

	<u>2007</u> <u>\$000</u>	<u>2006</u> <u>\$000</u>
Current tax assets	-	2,771
Current tax liabilities	3,350	-

## NOTE 6. CASH AND CASH EQUIVALENTS

	<u>2007</u> <u>\$000</u>	<u>2006</u> <u>\$000</u>
Cash at bank and on hand	2,653	2,762
Deposits	-	5,709
Total cash and cash equivalents	<u>2,653</u>	<u>8,471</u>

Cash at bank earns interest at a rate of 5.75% (2006: 5.25%) at 30 June 2007.

Deposits earn interest at a rate of 0% (2006: 5.70%) at 30 June 2007.

## NOTE 7. RECEIVABLES

	<u>2007</u> <u>\$000</u>	<u>2006</u> <u>\$000</u>
Trade debtors	15,822	11,012
Less: Provision for doubtful debts	(641)	(379)
Total receivables	<u>15,181</u>	<u>10,633</u>

## NOTE 8. OTHER FINANCIAL ASSETS

	<u>2007</u> <u>\$000</u>	<u>2006</u> <u>\$000</u>
<i>Current</i>		
Direct finance leases	<u>1,229</u>	<u>1,051</u>
<i>Non-current</i>		
Direct finance leases	<u>5,631</u>	<u>6,860</u>

### Leasing arrangements

Direct finance leases have an imputed interest rate of 16%. The present value of the minimum lease payments receivable is \$6.86 million.

### Minimum direct finance leases payments receivable

- within one year	2,256	2,256
- one year to five years	7,330	9,024
- over five years	-	561
	<u>9,586</u>	<u>11,841</u>
Future finance lease revenue	<u>(2,726)</u>	<u>(3,930)</u>
Net direct finance lease asset	<u>6,860</u>	<u>7,911</u>

## NOTE 9. OTHER ASSETS

	<u>2007</u> <u>\$000</u>	<u>2006</u> <u>\$000</u>
<i>Current</i>		
Prepayments	2,339	941
Other assets	119	198
Total current other assets	<u>2,458</u>	<u>1,139</u>

## NOTE 10. INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT

### (a) Classes of infrastructure, property, plant and equipment

	<u>2007</u> <u>\$000</u>	<u>2006</u> <u>\$000</u>
<i>Land</i>		
Freehold – at cost	585,874	582,667
Crown – at cost	1,255	1,175
Total land	<u>587,129</u>	<u>583,842</u>
<i>Buildings and improvements</i>		
At cost	285,891	246,342
Accumulated depreciation	(58,947)	(42,069)
Total buildings and improvements	<u>226,944</u>	<u>204,273</u>
<i>Plant and equipment</i>		
At cost	22,285	23,731
Accumulated depreciation	(8,308)	(8,768)
Total plant and equipment	<u>13,977</u>	<u>14,963</u>
<i>Channel assets</i>		
At cost	46,952	46,952
Accumulated depreciation	(7,825)	(5,217)
Total channel assets	<u>39,127</u>	<u>41,735</u>
<i>Capital works in progress</i>		
At cost	105,602	90,195
<i>Major maintenance dredging</i>		
At cost <sup>(1)</sup>	7,188	7,188
Accumulated amortisation	(7,188)	(5,885)
	<u>-</u>	<u>1,303</u>
Total infrastructure, property, plant and equipment	<u>972,779</u>	<u>936,311</u>

(1) Major maintenance dredging includes all costs incurred under the dredging contract to restore the channels to proper depths. These costs were capitalised and have been fully amortised over a four year period.

**NOTE 10. INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT (continued)**

**(b) Reconciliations**

	<u>2007</u> <u>\$000</u>	<u>2006</u> <u>\$000</u>
<i>Land</i>		
Carrying amount at start of year	583,842	554,583
Transfer from investment properties – refer note 11	3,102	400
Transfer from capital works in progress	474	17,335
Capitalised environmental restoration costs	140	11,524
Disposal	(429)	-
Carrying amount at end of year	<u>587,129</u>	<u>583,842</u>
<i>Buildings and improvements</i>		
Carrying amount at start of year	204,273	183,309
Transfer from investment properties – refer note 11	1,060	-
Transfer from capital works in progress	41,592	35,663
Disposals	(2,161)	(14)
Depreciation expense	(17,820)	(14,685)
Carrying amount at end of year	<u>226,944</u>	<u>204,273</u>
<i>Plant and equipment</i>		
Carrying amount at start of year	14,963	16,743
Transfer from capital works in progress	2,532	1,688
Disposals	(937)	(673)
Depreciation expense	(2,581)	(2,795)
Carrying amount at end of year	<u>13,977</u>	<u>14,963</u>
<i>Channel assets</i>		
Carrying amount at start of year	41,735	44,344
Depreciation expense	(2,608)	(2,609)
Carrying amount at end of year	<u>39,127</u>	<u>41,735</u>
<i>Capital works in progress</i>		
Carrying amount at start of year	90,195	64,489
Additions	60,145	80,392
Transfer to land	(614)	(17,335)
Transfer to buildings and improvements	(41,592)	(35,663)
Transfer to plant and equipment	(2,532)	(1,688)
Carrying amount at end of year	<u>105,602</u>	<u>90,195</u>
<i>Major maintenance dredging</i>		
Carrying amount at start of year	1,303	3,515
Amortisation expense	(1,303)	(2,212)
Carrying amount at end of year	<u>-</u>	<u>1,303</u>

#### NOTE 11. INVESTMENT PROPERTIES

	<u>2007</u> <u>\$000</u>	<u>2006</u> <u>\$000</u>
Balance at beginning of financial year	17,729	16,168
Transfer to infrastructure, property, plant and equipment – refer to note 10	(4,162)	(400)
Net gain from fair value adjustment (1)	852	1,961
Balance at end of financial year	<u>14,419</u>	<u>17,729</u>

(1) The basis of valuation of investment properties is fair value, being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in a similar location and condition. The independent valuations of land as at 30 June 2007 were performed by the firm FPD Savills Property Consultants. The valuer is a member of the Australian Property Institute, a Certified Practising Valuer and an Associate Director of FPD Savills with more than 25 years of experience in the valuation industry. The independent valuation of buildings was performed on 30 June 2007 by GHD Pty Ltd who is ranked in the world's top 50 engineering and architecture companies.

#### NOTE 12. INTANGIBLE ASSETS

	<u>2007</u> <u>\$000</u>	<u>2006</u> <u>\$000</u>
Carrying amount at start of year	2,254	2,398
Disposals	(134)	(144)
Carrying amount at end of year	<u>2,120</u>	<u>2,254</u>
At cost	2,120	2,254
Accumulated amortisation - opening balance	(1,994)	(1,872)
Addback disposals	134	144
Amortisation expense for the year	(145)	(266)
Total intangible assets	<u>115</u>	<u>260</u>

#### NOTE 13. PAYABLES

	<u>2007</u> <u>\$000</u>	<u>2006</u> <u>\$000</u>
Trade creditors	3,024	2,803
Accrued expenditure	21,051	24,509
Total payables	<u>24,075</u>	<u>27,312</u>

#### NOTE 14. INTEREST BEARING LIABILITIES

	<u>2007</u> <u>\$000</u>	<u>2006</u> <u>\$000</u>
<b>Current</b>		
Treasury Corporation of Victoria borrowings	9,256	4,408
Unamortised discount/premium on borrowings	-	15
Total interest bearing liabilities (refer to note 25)	<u>9,256</u>	<u>4,423</u>
<b>Non-current</b>		
Treasury Corporation of Victoria borrowings	<u>82,623</u>	<u>74,191</u>
Total interest bearing liabilities (refer to note 25)	<u>82,623</u>	<u>74,191</u>

Interest bearing liabilities are secured by a Victorian State Government guarantee. The interest rates relating to interest bearing liabilities are at fixed rates, ranging from 6.04% to 6.60% (2006: 5.65% to 9.21%), with the effective weighted average rate 6.17% (2006: 6.34%). Non-current interest bearing liabilities have a weighted average maturity of 6.34 years (2006: 5.88 years) and are payable on or before 15 October 2020.

PoMC has available an overdraft facility of \$1 million (2006: \$1 million) which was not utilised at 30 June 2007. All other facilities are fully utilised at 30 June 2007.

#### NOTE 15. PROVISIONS

	<u>2007</u> <u>\$000</u>	<u>2006</u> <u>\$000</u>
<b>Current</b>		
Employee benefits – employee leave provisions (1), (2)	4,469	4,277
Employee benefits – defined benefit superannuation fund liability (note 24)	2,841	2,248
Environmental restoration feasibility studies and remediation costs	<u>18,477</u>	<u>15,861</u>
Total provisions	<u>25,787</u>	<u>22,386</u>
<b>Movements in provisions</b>		
Movements in each class of provision during the financial year, other than employee benefits, are set out below:		
<i>Environmental restoration feasibility studies and remediation costs</i>		
Carrying amount at start of year	15,861	5,300
Additional provisions recognised	4,567	11,361
Amounts utilised during the year	<u>(1,951)</u>	<u>(800)</u>
Carrying amount at end of year	18,477	15,861
<b>Non-current</b>		
Employee benefits	<u>174</u>	<u>144</u>

(1) The total amount of benefits expected to be paid to employees within 12 months after reporting date is \$3,884,581 (2006: \$3,956,553).

(2) The nominal value of annual leave at 30 June 2007 was \$1,150,541 and the nominal value for long service leave at 30 June 2007 was \$3,190,268.

#### NOTE 16. OTHER LIABILITIES

	<u>2007</u> <u>\$000</u>	<u>2006</u> <u>\$000</u>
<i>Current</i>		
Income in advance	9,215	6,805
Other liabilities	5,548	180
Total current other liabilities	<u>14,763</u>	<u>6,985</u>

#### NOTE 17. CONTRIBUTED CAPITAL

	<u>2007</u> <u>\$000</u>	<u>2006</u> <u>\$000</u>
Balance at the beginning of the year	680,101	676,510
Capital returned to Victorian State Government for Dynon Port Rail Link Project <sup>(1)</sup>	(2,590)	-
Capital contribution to Station Pier infrastructure by Victorian State Government <sup>(1)</sup>	8,387	3,591
Balance at the end of the year	<u>685,898</u>	<u>680,101</u>

(1) refer to note 29

#### NOTE 18. RETAINED PROFITS

	<u>2007</u> <u>\$000</u>	<u>2006</u> <u>\$000</u>
Retained profits at the beginning of the year	78,300	48,601
Profit after income tax	21,954	48,499
Total available for appropriation	<u>100,254</u>	<u>97,100</u>
Dividends paid	20,400	18,800
Retained profits at the end of the year	<u>79,854</u>	<u>78,300</u>

## NOTE 19. CASH FLOW DISCLOSURES

### Reconciliation of profit after income tax expense to net cash inflows from operating activities:

	<u>2007</u> \$000	<u>2006</u> \$000
Profit after income tax expense	21,954	48,499
Adjustments for non-cash income and expense items:		
Depreciation and amortisation	24,457	22,566
Net loss on disposal of infrastructure, property, plant and equipment	321	179
Amortisation of discount on borrowings	(15)	(41)
Fair value adjustment to investment properties	(853)	(1,961)
Fair value adjustment to borrowings	(2,419)	(1,933)
Net foreign currency (gains)/losses	-	(3)
(Increase)/decrease in operating assets:		
Receivables	(4,548)	(2,472)
Current other financial assets	(178)	(153)
Other current assets	(1,319)	1,713
Deferred tax assets	(3,321)	5,487
Non-current other financial assets	1,229	1,050
Other non-current assets	-	38
Increase/(decrease) in operating liabilities:		
Payables	12,542	150
Current tax liabilities	6,121	(10,524)
Current provisions	6,192	8,173
Other current liabilities	4,233	(2,394)
Deferred tax liabilities	623	(8,417)
Non-current provisions	(2,761)	32
Net cash inflows from operating activities	<u>62,258</u>	<u>59,989</u>

## NOTE 20. AUDITORS' REMUNERATION

	<u>2007</u> \$	<u>2006</u> \$
<i>Victorian Auditor General's Office:</i>		
Audit and review of the financial report	<u>59,200</u>	<u>60,100</u>

## NOTE 21. RESPONSIBLE PERSONS' DISCLOSURES AND REMUNERATION

### Responsible persons

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

#### Responsible Ministers:

The Hon. P Batchelor MP	<i>Minister for Transport (July 2006 – November 2006)</i>
Mr T Pallas MP	<i>Minister for Roads and Ports (December 2006 – June 2007)</i>
The Hon. J M Brumby MP	<i>Treasurer</i>

#### Directors:

Mr W I Scales AO	<i>Chairman</i>
Mr D B Cranwell	
Dr M A Doig	
Mr N R Edwards	
Ms M Hartley	
Ms P R Marriott	
Ms E H Parkin	
Mr D Powell	<i>Deputy Chairman</i>
Mr F Williamson	

#### Accountable Officer:

Mr S G Bradford

#### Responsible persons' remuneration <sup>(1)</sup>

Total remuneration paid or payable (including bonuses and superannuation) during the year to all responsible persons by PoMC.

<u>2007</u>	<u>2006</u>
\$	\$
764,652	807,277

As at 30 June 2007, the accountable officer was entitled to a remuneration package, including a salary of \$341,600 and a potential incentive based bonus of up to 20% of salary.

Bonuses paid or payable during the year pursuant to employment contracts included in the above remuneration.

61,488	52,576
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#### Responsible persons' retirement benefits

The superannuation paid by PoMC in connection with the retirement of responsible persons amounted to:

155,151	132,109
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Number of responsible persons whose annual remuneration from PoMC fell within the following bands:

	<u>No.</u>	<u>No.</u>
\$ 0 to \$ 9,999	-	1
\$ 30,000 to \$ 39,999	8	7
\$ 50,000 to \$ 59,999	-	1
\$ 60,000 to \$ 69,999	1	-
\$140,000 to \$149,999	-	1
\$370,000 to \$379,999	-	1
\$400,000 to \$409,999	1	-
	<u>10</u>	<u>11</u>

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

**NOTE 21. RESPONSIBLE PERSONS' DISCLOSURES AND REMUNERATION (continued)**

**Loans**

There were no loans in existence by PoMC to responsible persons or related parties at the date of this report.

**Other transactions of responsible persons and their related entities**

Ms E H Parkin is a consultant to KPMG which provided consulting services to PoMC during the year.

Mr D Powell's son is employed by PricewaterhouseCoopers which provided consulting services to PoMC during the year.

Mr S G Bradford is a director of Through Transport Mutual Insurance Association Limited. This entity, which provided insurance to PoMC, seeks to appoint directors from within its membership base.

The terms and conditions of these transactions with the responsible persons' related entities occurred within a normal customer and supplier relationship on terms and conditions no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-related persons' related entities on an arm's length basis.

The aggregate amount of transactions with responsible persons' related entities were as follows:

	<u>2007</u>	<u>2006</u>
	\$	\$
<i>Expenses</i>		
Contractor and consultant expenses	1,075,742	966,715

**NOTE 22. EXECUTIVE OFFICER'S REMUNERATION**

	<u>2007</u>	<u>2006</u>
	\$	\$
Total remuneration, including bonuses and superannuation, paid or payable during the year by PoMC to executive officers whose remuneration exceeded \$100,000.	1,358,790	943,114

Bonuses paid or payable during the year pursuant to employment contracts included in the above remuneration.	139,227	116,862
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The number of executive officers whose annual remuneration, including bonuses, from PoMC fell within the following bands:

	<u>No.</u>	<u>No.</u>
\$120,000 to \$129,999	1	-
\$130,000 to \$139,999	1	-
\$200,000 to \$209,999	-	1
\$210,000 to \$219,999	-	1
\$220,000 to \$229,999	1	-
\$240,000 to \$249,999	1	-
\$250,000 to \$259,999	-	1
\$260,000 to \$269,999	-	1
\$290,000 to \$299,999	1	-
\$330,000 to \$339,999	1	-
	<u>6</u>	<u>4</u>

## NOTE 23. COMMITMENTS FOR EXPENDITURE

	<u>2007</u> <u>\$000</u>	<u>2006</u> <u>\$000</u>
<b>Capital expenditure commitments</b>		
Commitments for the construction and acquisition of infrastructure, property, plant and equipment contracted for at balance date but not recognised as liabilities:		
– within one year	11,691	10,067
– later than one year but not later than five years	11,659	3,234
	<u>23,350</u>	<u>13,301</u>

### Operating expenditure commitments (excluding lease commitments)

Commitments for the payment of operating expenditure excluding lease commitments contracted for at balance date but not recognised as liabilities:

– within one year	56	49
– later than one year but not later than five years	185	107
	<u>241</u>	<u>156</u>

### Operating lease expenditure commitments

Commitments in relation to operating leases contracted for at balance date but not recognised as liabilities:

– within one year	1,530	1,543
– later than one year but not later than five years	6,625	6,697
– later than five years	12,075	12,233
	<u>20,230</u>	<u>20,473</u>

## NOTE 24. SUPERANNUATION

PoMC's employees are covered for superannuation benefits as members of defined benefit superannuation schemes being the Port of Melbourne Superannuation Fund, the State Superannuation Scheme and the Transport Superannuation Scheme and various defined contribution funds including the Victorian Superannuation Scheme. Contributions to defined contribution funds are recognised as an expense as they become payable.

Employer contributions during the year to defined benefit and contribution superannuation plans of which PoMC's employees are members are as follows:

	<u>2007</u> <u>\$000</u>	<u>2006</u> <u>\$000</u>
Port of Melbourne Superannuation Fund	572	587
Increase/(Decrease) in net superannuation liability per AASB 119	593	(2,327)
Transport Superannuation Scheme	154	160
State Superannuation Scheme	113	124
Various Contribution Schemes	1,058	1,118
	<u>2,490</u>	<u>(338)</u>

**NOTE 24. SUPERANNUATION (continued)**

**(a) Defined benefit superannuation plan**

A liability in respect of the defined benefit superannuation plan is recognised in the balance sheet, and is measured as the present value of the defined benefit obligation at 30 June 2007 plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to year end, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Future taxes, such as taxes on investment income and employer contributions, are taken into account in the actuarial assumptions used to determine the relevant components of PoMC's defined benefit liability.

**(b) Reconciliations**

*(i) Balance sheet amounts and employer contributions*

The amounts recognised in the balance sheet are determined as follows:

	<u>2007</u> <u>\$000</u>	<u>2006</u> <u>\$000</u>
Present value of the defined benefit plan obligation	22,828	19,723
Fair value of defined benefit plan assets	19,987	17,475
Net liability in the balance sheet (note 15)	<u>2,841</u>	<u>2,248</u>

*(ii) Reconciliation of opening and closing balances of the present value of the defined benefit obligation*

Movements in the present value of the defined benefit obligations were as follows:

	<u>2007</u> <u>\$000</u>	<u>2006</u> <u>\$000</u>
Opening defined benefit plan obligation	19,723	19,318
Current service cost	515	580
Interest cost	994	832
Contributions by fund participants	100	106
Actuarial (gains) / losses	2,242	(585)
Taxes, premiums and expenses paid	(299)	(188)
Benefits paid	(447)	(340)
Closing defined benefit plan obligation	<u>22,828</u>	<u>19,723</u>

**NOTE 24. SUPERANNUATION (continued)*****(iii) Reconciliation of opening and closing balances of the fair value of the defined benefit plan assets***

Movements in the fair value of the defined benefit plan assets were as follows:

	<u>2007</u> <u>\$000</u>	<u>2006</u> <u>\$000</u>
Opening fair value of plan assets	17,475	14,743
Expected return of plan assets	1,238	1,042
Actuarial (gains)/losses	1,345	1,503
Contributions from the employer	575	609
Contributions from the participants	100	106
Taxes, premiums and expenses paid	(299)	(188)
Benefits paid	(447)	(340)
Closing fair value of plan assets	<u>19,987</u>	<u>17,475</u>

***(iv) Reconciliation of the assets and liabilities recognised in the balance sheet***

	<u>2007</u> <u>\$000</u>	<u>2006</u> <u>\$000</u>
Defined benefit obligation	22,828	19,723
Less fair value of plan assets	<u>19,987</u>	<u>17,475</u>
Net superannuation liability	<u>2,841</u>	<u>2,248</u>

***(v) Amounts recognised in the income statement***

The amounts recognised in the income statement are as follows:

	<u>2007</u> <u>\$000</u>	<u>2006</u> <u>\$000</u>
Current service cost	515	580
Interest cost	994	832
Expected return on plan assets	(1,238)	(1,042)
Actuarial (gain)/loss	897	(2,088)
Total included in employee benefits expense	<u>1,168</u>	<u>(1,718)</u>

**NOTE 24. SUPERANNUATION (continued)***(vi) Categories of plan assets*

The major categories of plan assets are as follows:

	<u>2007</u>	<u>2006</u>
Australian equity	37%	36%
International equity	21%	19%
Fixed income	22%	23%
Cash	14%	14%
Property	6%	8%

The fair value of plan assets includes no amounts relating to any of PoMC's own financial instruments and any property occupied by or other assets used by PoMC.

*(vii) Expected rate of return on plan assets*

The expected rate of return on assets assumption is determined by weighing the expected long-term return for each asset class by the target allocation of assets to each asset class and allowing for the correlations of the investment returns between asset classes. The returns for each asset class are net of investment tax and investment fees.

*(viii) Actual return on plan assets*

	<u>2007</u> <u>\$000</u>	<u>2006</u> <u>\$000</u>
Actual return on plan assets	2,583	2,545

*(ix) Actuarial assumptions*

Key assumptions used:

	<u>2007</u> <u>% per annum</u>	<u>2006</u> <u>% per annum</u>
Discount rate (active members)	6.2%	5.0%
Discount rate (pensioners)	6.2%	5.8%
Expected return on plan assets (active members)	7.2%	7.2%
Expected return on plan assets (pensioners)	7.2%	7.2%
Expected rate of salary increase rate	5.0%	4.5%
Expected rate of pension increase rate	3.0%	3.0%

*(x) Historic summary*

	<u>2007</u> <u>\$000</u>	<u>2006</u> <u>\$000</u>
Present value of defined benefit plan obligation	22,828	19,723
Fair value of plan assets	19,987	17,475
Deficit in plan assets	2,841	2,248
Experience adjustments gain/(loss) arising on plan assets	1,345	1,503
Experience adjustments gain/(loss) arising on plan liabilities	(471)	288

**NOTE 24. SUPERANNUATION (continued)**

**(c) Funding arrangements for employer contributions**

**(i) Contribution recommendations**

Employer contributions to the defined benefit plan are based on recommendations by the plan's actuary. Actuarial assessments are made at yearly intervals and the last such assessment was made at 30 June 2007.

The objective of funding is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable. PoMC has no legal obligation to settle this liability with an immediate contribution or additional one off contributions. As recommended by the actuary, contributions to the plan were made at a rate of 37% of salaries for the 2005, 2006 and 2007 financial years. From 1 July 2007, contributions will be at a rate of 37% of salaries and are expected to be \$564,886 for the year ending 30 June 2008.

**(ii) Funding method**

The method used to determine the employer contribution recommendations at the last actuarial review was the aggregate funding method. The method adopted affects the timing of the cost to PoMC.

**(iii) Economic assumptions**

The long-term economic assumptions adopted for the last actuarial review of the plan as at 30 June 2007 were:

Expected rate of return on plan assets (discount rate) 7.0%

Expected salary increase rate 5.0%

**(iv) Nature of Asset/Liability**

PoMC has recognised a liability in the balance sheet in respect of its defined benefit superannuation arrangements. The Port of Melbourne Superannuation Fund does not impose a legal liability on PoMC to cover any deficit that exists in the Fund. If the Fund were wound up, there would be no legal obligation on the Company to make good any shortfall. The Trust Deed of the Fund states that if the Fund winds up, the remaining assets are to be distributed by the Trustee of the Fund in an equitable manner as it sees fit.

PoMC may, at any time by notice to the Trustee, terminate its contributions. PoMC has a liability to pay the contributions due prior to the effective date of the notice, but there is no requirement for it to pay further contributions, irrespective of the financial condition of the Fund.

## NOTE 25. FINANCIAL INSTRUMENTS

### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to PoMC. The credit risk relating to PoMC's financial assets which are recognised in the balance sheet is the carrying amount of such assets, net of any provisions for doubtful debts. Receivables are monitored on an ongoing basis, resulting in minimal exposure to bad debts.

### Derivative financial instruments

#### General hedge

PoMC is a party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations to foreign exchange rates. In particular, PoMC has entered into forward exchange contracts to purchase Euro dollars designed as a hedge for purchases of goods for the financial year ended 30 June 2007. An unrealised loss of \$nil (2006: \$nil) has been included in the income statement for the year relating to the forward exchange contract.

### Interest rate risk

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

	Floating Interest	Fixed interest maturing in						Non-Interest Bearing	Total
		1 year or less	over 1-2 years	over 2-3 years	over 3-4 years	over 4-5 years	over 5+ years		
2007	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Financial assets:									
Cash and cash equivalents	2,653	-	-	-	-	-	-	-	2,653
Receivables	-	-	-	-	-	-	-	15,181	15,181
Other financial assets	-	1,229	1,438	1,683	1,968	542	-	-	6,860
	2,653	1,229	1,438	1,683	1,968	542	-	15,181	24,694
Weighted average interest rate	5.8%	16.0%	16.0%	16.0%	16.0%	16.0%			
Financial liabilities:									
Payables	-	-	-	-	-	-	-	24,075	24,075
Interest bearing liabilities	-	9,257	6,181	6,177	11,060	4,963	54,241	-	91,879
Other liabilities	-	-	-	-	-	-	-	5,548	5,548
	-	9,257	6,181	6,177	11,060	4,963	54,241	29,623	121,502
Weighted average interest rate	-	6.3%	6.6%	6.6%	6.3%	6.3%	6.0%	-	-
Net financial assets/(liabilities)	2,653	(8,028)	(4,743)	(4,494)	(9,092)	(4,421)	(54,241)	(14,442)	(96,808)

**NOTE 25. FINANCIAL INSTRUMENTS (continued)**

	Fixed interest maturing in							Non-Interest Bearing	Total
	Floating Interest	1 year or less	over 1-2 years	over 2-3 years	over 3-4 years	over 4-5 years	over 5+ years		
2006	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Financial assets:									
Cash and cash equivalents	8,471	-	-	-	-	-	-	-	8,471
Receivables	-	-	-	-	-	-	-	10,633	10,633
Other financial assets	-	1,051	1,229	1,438	1,682	1,968	543	-	7,911
	8,471	1,051	1,229	1,438	1,682	1,968	543	10,633	27,015
Weighted average interest rate	5.3%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	-	-
Financial liabilities:									
Payables	-	-	-	-	-	-	-	27,312	27,312
Interest bearing liabilities	-	4,422	9,278	6,247	6,282	11,312	41,073	-	78,614
Other liabilities	-	-	-	-	-	-	-	178	178
	-	4,422	9,278	6,247	6,282	11,312	41,073	27,490	106,104
Weighted average interest rate	-	9.2%	6.3%	6.6%	6.6%	6.3%	6.0%	-	-
Net financial assets/(liabilities)	8,471	(3,371)	(8,049)	(4,809)	(4,600)	(9,344)	(40,530)	(16,857)	(79,089)

As it is PoMC's intention to hold its fixed rate liabilities to maturity, PoMC's interest rate risk exposure arises from assets and liabilities which are subject to floating interest rates.

2007  
\$000

2006  
\$000

**Reconciliation of net financial liabilities to net assets**

Net financial liabilities	(96,808)	(79,089)
Non-financial assets & liabilities:		
Other assets	2,458	1,138
Infrastructure, property, plant & equipment	987,314	954,300
Deferred tax assets	9,881	6,560
Deferred tax liabilities	(98,566)	(97,943)
Provisions	(24,777)	(19,759)
Other liabilities	(13,750)	(6,806)
Net assets	765,752	758,401

#### **NOTE 25. FINANCIAL INSTRUMENTS (continued)**

##### **Net fair value of financial assets and liabilities**

The net fair value of PoMC's cash and deposits and non-interest bearing financial assets and liabilities is equal to their carrying value. The net fair value of PoMC's interest bearing financial liabilities is determined with reference to market prices where a market exists or the net present value of expected future cash flows using a discount factor of the current interest rate applicable to liabilities with a similar risk profile.

With the exception of borrowings, PoMC's financial assets and liabilities are not readily traded on an organised market in a standardised form.

#### **NOTE 26. CONTINGENT LIABILITIES**

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##### **Contingent liabilities**

Two potential claims have been lodged against PoMC seeking compensation in relation to contractual disputes which are yet to be resolved. PoMC is defending these claims and in one instance has made a counterclaim. Other events have occurred that may also give rise to a claim against PoMC. At the certification date of the financial statements, PoMC is unable to assess the probability of success of these claims.

PoMC is aware of possible contamination in relation to its land and channel assets and has made a provision for restoration costs where sufficient information is available [refer to note 1(q)]. As at the certification date of the financial statements, PoMC is unable to determine the total extent of potential contamination or restoration costs.

The site at 221 Whitehall Street is subject to a current EPA clean up notice dated 10 January 2007. In accordance with that notice PoMC is currently preparing a Remediation Action Plan (RAP), which is due for submission to EPA on 24 September 2007. A provision of \$11.5 million has been made for the works currently expected to be included under the RAP. The final endorsed RAP may include additional works, the cost of which cannot be reliably measured.

PoMC is not able to reliably measure its liability in respect of the above matters based on present circumstances or information. Consequently, except as indicated above, no provision has been included in the financial statements nor has a contingent liability been quantified.

#### **NOTE 27. EVENTS OCCURRING AFTER BALANCE DATE**

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There were no material events occurring after balance date.

## NOTE 28. RELATED PARTY TRANSACTIONS

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

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

	<u>2007</u> <u>\$000</u>	<u>2006</u> <u>\$000</u>
Operating revenue	862	1,574
Operating expenses	16,164	8,648
Finance charges	456	2,087
Dividend paid	20,400	18,800
Income tax expense/(benefit)	9,978	(6,206)
Assets	10,697	12,332
Liabilities	196,461	175,300
Equity transfer	5,797	3,591

## NOTE 29. ASSETS AND LIABILITIES TRANSFERS BETWEEN PUBLIC SECTOR ENTITIES 2007

### Station Pier assets and liabilities transferred from the Department of Infrastructure

The Victorian Government contributed \$8,386,904 for the funding of Station Pier capital works completed as at 30 June 2007 (2006: \$3,591,000).

### Dynon Port Rail Link Project transfer of assets to the Department of Infrastructure

PoMC transferred assets worth \$2,590,209 to the Victorian Government for the Dynon Port Rail Link project during the year ended 30 June 2007 (2006: \$nil).

There were no other assets and liabilities transferred to PoMC during the year ended 30 June 2007 or at the year ended 30 June 2006.



# Certification of financial statements

We certify that the attached financial report for the Port of Melbourne Corporation have been prepared in accordance with the Standing Direction 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the income statement, balance sheet, statement of changes in equity, cash flow statement and notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2007 and financial position of the Port of Melbourne Corporation as at 30 June 2007.

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

The financial statements were authorised for issue by the Board of Directors on 20 August 2007.



Mr Bill Scales AO  
Chairman  
20 August 2007



Mr S G Bradford  
Chief Executive Officer  
20 August 2007



Mr J F Johnson  
Executive General Manager, Finance & Legal  
20 August 2007

# Auditor-General's report

**VAGO**

Victorian Auditor-General's Office

## INDEPENDENT AUDIT REPORT

### Port of Melbourne Corporation

#### To the Members of the Parliament of Victoria and Members of the Board of the Corporation

##### *Matters Relating to the Electronic Presentation of the Audited Financial Report*

This auditor's report for the financial year ended 30 June 2007 relates to the financial report of Port of Melbourne Corporation included on its web site. The Board of Port of Melbourne Corporation is responsible for the integrity of the web site. I have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named below. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

##### *The Financial Report*

The accompanying financial report for the year ended 30 June 2007 of Port of Melbourne Corporation which comprises income statement, balance sheet, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and the certification of financial report has been audited.

##### *The Responsibility of the Members of the Board of the Corporation for the Financial Report*

The Members of the Board of Port of Melbourne Corporation are responsible for the preparation and the fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the financial reporting requirements of the *Financial Management Act 1994*. This responsibility includes:

- establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

##### *Auditor's Responsibility*

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. These Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to internal control relevant to the Board Members' preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of the accounting policies used, and the reasonableness of accounting estimates made by the Board Members, as well as evaluating the overall presentation of the financial report.

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*Auditing in the Public Interest*

# VAGO

Victorian Auditor-General's Office

## Independent Audit Report (continued)

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

### *Independence*

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

### *Auditor's Opinion*

In my opinion, the financial report presents fairly, in all material respects, the financial position of Port of Melbourne Corporation as at 30 June 2007 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations), and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE  
27 August 2007

  
D.D.R. Pearson  
Auditor-General

2

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*Auditing in the Public Interest*

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