Our transport assets delivering more for Victoria

Annual Report 2015-16

VicTrack

VICTORIA State Government

Letter to the Ministers

15 September 2016

The Hon Jacinta Allan MP
Level 20, 1 Spring Street
Melbourne VIC 3000

The Hon Timothy Pallas MP
Level 4, 1 Treasury Place
East Melbourne VIC 3002

Dear Ministers

I am pleased to submit to you for presentation to Parliament the *VicTrack 2015-16 Annual Report* for the period 1 July 2015 to 30 June 2016.

Yours sincerely

John Lenders
VicTrack Chair

Annual Report 2015-16

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VicTrack

VICTORIA State Government

2015-16 Highlights

To make the most of Victoria's public transport assets, we continued to work alongside the state's most valuable transport initiatives, community property developments and telecommunications infrastructure upgrades.

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Passengers can now text, talk and stream from phones or tablets anywhere in the city loop following the completion of phase one of the project. Page 19

Jewell Station development market-ready

With planning permits approved, the development in Brunswick opened pre-sales for 122 apartments as part of a new connected urban village. Page 24

Telco network transformation underway

About $6.8 million to be injected over 19 months towards modernising Victoria's ageing transport telecommunications network to protect the network now and into the future. Page 19

Regional Passenger Info Displays complete

V/Line customers on the Geelong, Ballarat, Bendigo and Gippsland lines can now get real time travel information at stations for the first time. Page 19

Delivering $20m station car parks program

VicTrack is delivering the state government's Regional and Metropolitan Railway Station Car Park Program, to provide 1,500 new sealed commuter car parking spaces across metro and regional Victoria. Page 26

Major transport initiatives partner

Alongside the Level Crossing Removal Authority and Melbourne Metro Rail Authority, we began crucial telecommunications network upgrades, and supported land use and property development opportunities. Page 23

2015-16 Performance

Strong commercial results supported even greater transport investment in 2015-16, as we continued to support the state's most significant transport initiatives.

$48.6m

Reinvested into the state's transport assets:

$8.2m	Rail infrastructure
$30.7m	Telecommunications infrastructure
$4.1m	Environment
$3.6m	Heritage
$2m	Bridges

$53.3m

Telecommunication revenue

$124.1m

Government contributions for transport projects

$3m

Freight-related revenue

$4.8m

Billboard & car park portfolio revenue

$30.6m

Property-related revenue

$10m

Land sales revenue

Our asset portfolio

$30bn

Total assets

$6.9bn

Track

$3.1bn

Rolling stock

$4.7bn

Stations, bridges, buildings & structures

$2.9bn

Signalling & communications

$4.3bn

Assets under construction

$4.4bn

Land
(reserved for transport use)

$0.9bn

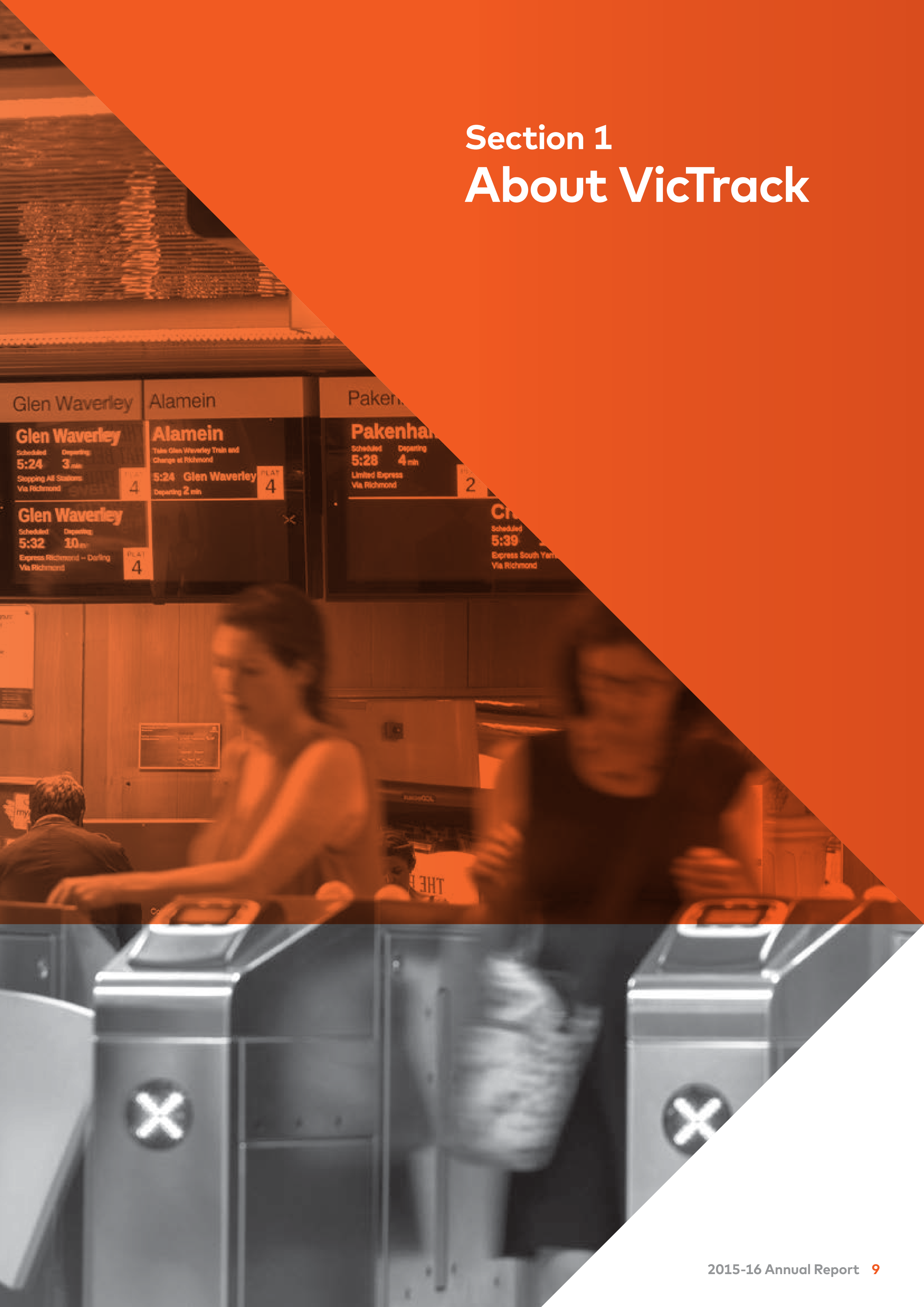
Plant & equipment
(incl. myki)

$2.8bn

Melbourne Underground Rail Loop

Section 1

About VicTrack



VicTrack overview

VicTrack owns Victoria's public transport land, assets and infrastructure and works to protect and grow the value of the portfolio, to support a thriving transport system, and make travel and living better for Victorians.

Our role in transport

With much of the asset portfolio dedicated to transport – our land, infrastructure, trams and trains, and telecommunication networks – our focus is strategic asset management and supporting the delivery of better transport solutions.

Whether we're planning and managing the use of transport land, upgrading the telecommunication network or partnering on major infrastructure projects – our job is to ensure the state's assets continue to serve Victoria now and into the future.

With a strong commercial focus, we drive even greater investment back to transport and communities, and support other non-commercial activities like community projects and environmental and heritage preservation.

Our core functions

Victoria's *Transport Integration Act 2010* sets out the objectives for each transport sector agency. As the asset owners, our role is to manage the assets consistent with transport system objectives.

Our core functions include:

- telecommunication services and network infrastructure that supports public transport;
- managers of land set aside for transport purposes, including the development and sale of land no longer required for transport;
- project management and civil engineering services for rail infrastructure upgrades; and
- transport facilities and asset management, including the open access Dynon Rail Freight Terminal and heritage, buildings and environmental preservation.

Our partners

We work on behalf of the Victorian Government led by Transport for Victoria (TFV), and as a service provider and project partner to Public Transport Victoria (PTV), Metro Trains Melbourne (MTM), Yarra Trams, and V/Line. We report to the Minister for Public Transport and the Treasurer, and work closely with the Department of Economic Development, Jobs, Transport and Resources (DEDJTR) and the Department of Treasury and Finance (DTF).

We also work with a wide range of other government departments, agencies, authorities, community organisations and private sector partners.

Vision

To grow as a commercially sustainable corporation that supports the delivery of government policy and achieves triple bottom line outcomes through a strong commercial focus and environmental sensitivity and provides a range of social benefits to Victorian communities.

Mission

To improve the value of assets that VicTrack manages for the state and deliver a range of commercial services and projects that improve Victoria's transport system and contribute to the state's liveability and sustainable economic development.

Our values

Respect

We will show respect to each other by appreciating differences and actively listening; being courteous and considerate; communicating openly and with empathy.

Achievement

We will show achievement by being accountable for doing what we say we will do; proactively solving problems; appreciating each other's outcomes, progress and efforts.

Professionalism

We will show professionalism by delivering high-quality and timely work, communicating effectively and with positivity; being prepared.

One team

We will show teamwork to each other by being collaborative, cooperative and inclusive; sharing information, knowledge and expertise; supporting others to solve problems and achieve common goals.

Business groups

As partner to almost every transport project in Victoria and provider of core services to the sector, our operational structure works to support various roles and functions we fulfil.

Our business is made up of three specialist delivery groups including Property, Telecommunications and Project Delivery, which are supported by Corporate Affairs and Business Services. Each delivery group provides various disciplines in asset management and service delivery.

Telecommunications

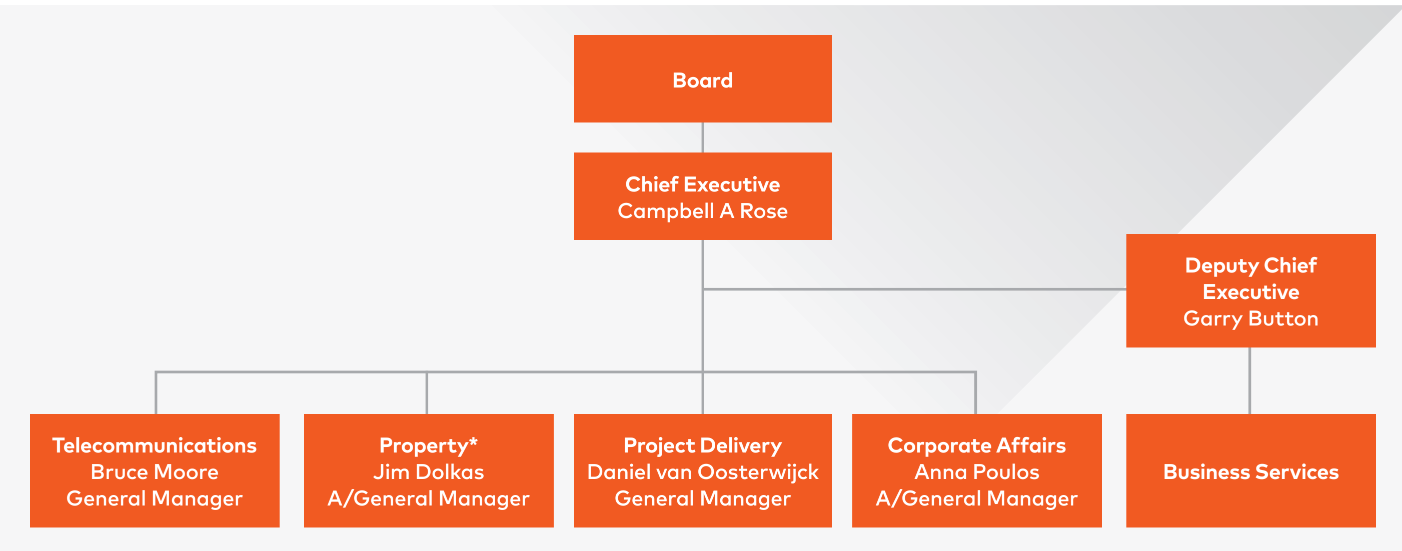
As a licensed telecommunication provider and with network infrastructure that spans the state, we provide a full suite of telecommunications services to the transport sector. Our networks provide the backbone to public transport customer information, myki ticketing, driver communications and other network critical systems, such as signalling. We also provide 24 hour network monitoring, and planned and emergency repair and maintenance, to ensure the highest standards of reliability for the transport system.

Property

As land owner, our role is to ensure our land best serves the transport sector and Victorian communities. With vast land parcels that span the state and air rights throughout the public transport corridor, we work across all land use matters impacting on transport land, including land sales and acquisition, property development, commercial leasing, land use and access, infrastructure and facilities management and heritage and environmental preservation.

Project Delivery

Whether we're actively upgrading the infrastructure or working alongside Victoria's major transport initiatives, our Project Delivery Group provides expertise across all disciplines that impact rail land, infrastructure and telecommunications networks. Our services include project management and project delivery in both infrastructure and telecommunications projects, as well as safety and technical services.



* Ben Needham completed his tenure as Property General Manager on 14 September 2016.

Section 2
Outcomes report

Chair's report

As the state government strengthened its commitment to transport during 2015-16, VicTrack continued its focus on core transport services and set in place longer term asset management strategies to better serve the sector.

The year marked a major shift in focus as the Victorian Government announced a new transport agency known as Transport for Victoria (TFV) to act across all transport modes. The state's major public transport initiatives also gathered momentum, including the Level Crossing Removal Project and Metro Tunnel.

In recognition of the fast evolving demands on the network assets, the Board endorsed a number of significant changes, including a shift to five year forecasting in our corporate planning process and longer term asset management plans. Providing certainty over time to our transport partners was recognised as critical for the success of VicTrack and wider sector outcomes.

VicTrack consulted early in the strategic planning cycle, to ensure close alignment with the state's transport objectives. Collaboration also informed discussions over the refranchising process, which is set to be finalised in 2017, with VicTrack focussed on ensuring our assets are best deployed to serve the transport sector.

A new organisational structure was established during 2015-16 to improve VicTrack's effectiveness in supporting the government's transport agenda. The newly formed Project Delivery Group was established to ensure a consistent project approach on infrastructure and telecommunications projects, and improve efficiencies in delivery for partners and customers.

Our role in redeveloping Victoria's ageing telecommunications infrastructure was also clearly recognised, as we began work alongside the Level Crossing Removal Authority (LXRA) and Melbourne Metro Rail Authority (MMRA) to redesign the network to meet current and future demands. As part of the larger Network Transformation Program (refer page 19), the work helped reduce immediate risks to the transport network and provide design and support for transport initiatives.

Working with the Office of the National Rail Safety Regulator we also enhanced the security of the network, as we moved to gain telecommunications trunk infrastructure accreditation – which would improve safety conditions for all individuals working on the rail corridor, not only VicTrack employees.

Strengthening safety at VicTrack and reducing risk across the business was a major focus this year, which included the Board approving risk appetite statements, as part of our renewed risk management framework.

At the close of a positive year, I would like to thank all our sector partners and those who have worked with us this year towards a more unified and strengthened transport system delivering more for Victorians.

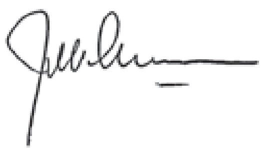
Particular thanks to Minister for Public Transport Jacinta Allan and Treasurer Tim Pallas for their ongoing commitment to transport through major transport initiatives and strong industry leadership through the newly formed TFV, which was jointly announced with Minister for Roads Luke Donnellan. These moves will continue to help Victoria to thrive though jobs creation, economic investment and a better public transport system to meet the demands of our growing population.

I would like to acknowledge my fellow Board members for setting a clear strategic direction for VicTrack, where core transport services and strategic asset management remained the primary focus of the business.

Thanks particularly to Sam Andersen who retired in March 2016 after 12 years service to VicTrack, including as Chair of the Audit and Risk Management Committee, and welcome to Paula Allen, who joined the Board in April 2016.

Under the leadership of Chief Executive Cam Rose, we have further strengthened relationships with our transport sector partners, which has provided me with even greater confidence moving forward. At this crucial time for Victorian transport, Cam has ensured the management of transport assets has remained central to ongoing discussions with the sector, and VicTrack's collaborative approach has been recognised by all.

I look forward to the progress of our sector under TFV, as we continue to work alongside all other transport bodies and with the Department of Economic Development, Jobs, Transport and Resources to ensure our transport assets are put to work to help Victoria thrive.



John Lenders
Chairman

Chief Executive report

The 2015-16 year has delivered landmark results for Victorian commuters, as some of the state's largest transport initiatives were delivered and others got underway.

As the asset owners, VicTrack has worked alongside the Victorian Government and transport authorities to deliver new infrastructure and also plan towards a more resilient transport future.

The announcement late in the 2015-16 year of a new overarching transport authority, to be known as TFV, cemented the new unified outlook for Victorian transport. It strengthened opportunities for VicTrack to continue close collaboration with our transport partners and build on the successes delivered throughout 2015-16.

Consolidating the structure of our business and building longer-term asset management plans were major steps by VicTrack in supporting the sector. The formation of a single Project Delivery Group (PDG) in October provided for more consistency in the management and delivery of projects, while extending asset management plans aimed to enable better forward planning for the sector.

Our role in major transport initiatives, including the Level Crossing Removal Project and Metro Tunnel, has been critical this year – with our network engineers delivering telecommunication solutions that meet the demands now, but also secure the network into the future.

The work has formed part of VicTrack's broader Network Transformation Project, which gained further support from the Board with $5.8 million set aside for the project in recognition that we have a primary role in modernising Victoria's ageing transport telecommunications network.

The delivery of mobile phone services in the Melbourne city loop was another major achievement for our telecommunications business. We're proud to help deliver Melbourne mobile carrier coverage that's equivalent to the world's best alongside Hong Kong, Singapore and Montreal and ahead of many other capital cities around the world.

Our property business also led important opportunities alongside major transport projects through seeking value capture prospects, to support development of well serviced and better connected commuter transport hubs. The work follows on from previous station precinct revitalisation successes, including IKON Glen Waverley, which received further awards during the year.

This year our property team also progressed Jewell Station precinct and St Albans Station retail precinct to market alongside our development partners, and continued to build on a strong pipeline of opportunities. The sale of air rights over Windsor Station precinct has been particularly exciting as a way to maximise value for the portfolio and the community.

Delivering on the state's $20 million Regional and Metropolitan Railway Station Car Parking Program was a strong outcome for the business, which also led an impressive program for the year that included finalising regional rail communications network works, Bendigo Bus Interchange Passenger Information Displays and Geelong Wyndham bus infrastructure, among others.

Strengthening the safety performance of the business was another priority this year. We have worked alongside the Office of the National Rail Safety Regulator (ONRSR) to extend existing accreditations to include telecommunications trunk infrastructure accreditation. Once finalised, VicTrack would be the only metropolitan accredited agency of its kind in Victoria – ensuring greater safety for all suppliers, contractors, partners and employees working in the rail corridor.

At the close of a year that I trust has built a strong platform for future successes, I would like to thank the Board for clear and decisive leadership at time of great change for our sector.

As we've worked to consolidate our business, my thanks also goes to my Executive Team for their support and leadership throughout. Determination to position our assets and business to best serve Victorian transport and communities has delivered results the group can feel proud of.

Thanks also to all VicTrack employees, who work together each day, alongside our many sector partners and stakeholders to accomplish a significant amount of work – this year was testament to your efforts.

Finally, thanks to our many sector partners for the ongoing collaborative efforts between our organisations. We look forward to another successful year ahead as we work towards our shared agenda under TFV.

Campbell A Rose
Chief Executive

Strengthening the network

As the transport asset owners, supporting network performance remained core business at VicTrack during 2015-16, as we continued to deliver network services and projects that help make transport and the portfolio stronger.

Mobile coverage in the city loop

Mobile phone coverage in Melbourne's city loop was officially launched by the Hon Jacinta Allan, Minister for Public Transport in October 2015, giving passengers the ability to text, talk and stream from phones or tablets anywhere in the city loop for the first time.

The new mobile phone service was considered among the best in the world, with service that emulated mobile carrier coverage in the Hong Kong, Singapore and Montreal underground rail systems, and exceeded the quality of coverage found in many other capital cities around the world.

The project was delivered over three years by VicTrack in partnership with Optus, Vodafone and Telstra.

It has provided Melbourne train passengers with access to high-quality 3G voice, 3G data and limited 4G data coverage throughout the city's 12 kilometres of rail tunnels and underground stations.

The launch marked phase one of the project, with subsequent works rolled out during 2016 to enhance the 3G and 4G signal strengths. Phase two of the project has been planned for late 2016 to make additional 4G data services available throughout the entire precinct.

Project snapshot

- Phase 1 introduced 12 repeater sites in the city loop to provide coverage for the carriers and DTRS system.
- Phase 2 would add about 20 repeater sites to enhance 4G data coverage.
- Coverage stemmed from leaky coax feeder cables that radiate amplified radio signals for the mobile coverage within the four city loop tunnels.
- Distributed antenna system (DAS) provided for coverage to underground stations.
- The system provided train control DTRS mobile coverage for the Metro network.
- The system required protected AC power, fibre cabling and distribution, specialised coax cabling and distribution, radio filtering equipment and radio repeater/amplifiers.

Network Transformation Project

The first stages of the Network Transformation Project for Victoria's ageing telecommunications infrastructure began during 2015-16, with VicTrack undertaking two key projects.

As part of the larger Integrated Transport Network (ITN) program, the work aims to reduce any immediate risks to the transport network and provide design and support for the state's major transport initiatives – including the Level Crossing Removal Project and the Metro Tunnel.

Capital investment for both projects combined is approximately $6.8 million in total for work over 19 months to September 2017.

The first project includes a new analogue gateway device that has been approved to transport Operational Control System (OCS) applications over an IP network instead of over the legacy network. It will also assist VicTrack transitioning into the full ITN program.

The second is the development and delivery of an IP/MPLS reference architecture design for ITN and proof of concept testing of the design and supporting materials. The work validated ITN could meet key criteria now and for future transport applications.

Regional passenger information displays

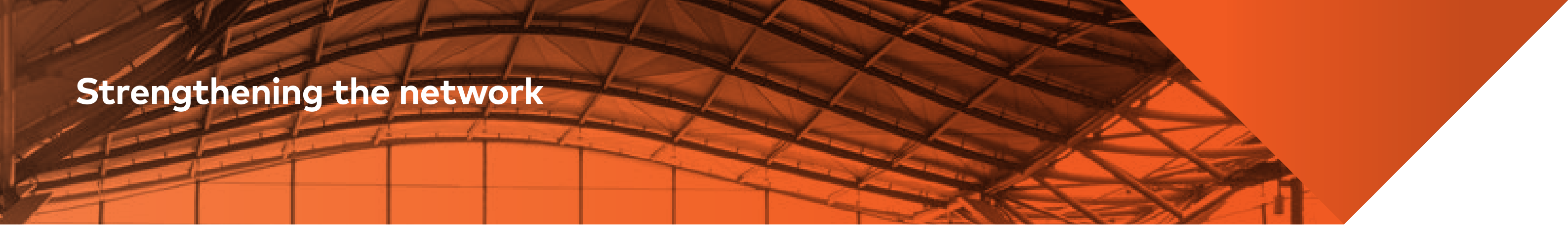
In 2015-16, VicTrack delivered new technology to allow V/Line customers on the Geelong, Ballarat, Bendigo and Gippsland lines to experience real time travel information at stations for the first time.

The new customer information system comprising new electronic displays, Customer Help Points and automated public address announcements was rolled out at 33 V/Line stations to provide passengers with automated, accurate and timely information about train times, service changes and platform alterations.

Customers with hearing and visual impairments would also benefit, with the information being provided in both audio and visual formats.

The $7 million project was delivered on behalf of PTV, with works carried out under VicTrack by contractors 4Tel, Axent, Metromatics and Linktech.

Systems were installed on the Bendigo, Gippsland, Geelong and Ballarat lines.



Telecommunications trunk infrastructure accreditation

Major milestones were reached in VicTrack's drive to improve safety across the Melbourne rail network during 2015-16 – with significant progress made on efforts to become the primary TTI accredited transport agency.

The additional accreditation extends existing safety accreditation to include management of VicTrack's telecommunications infrastructure in the metropolitan rail network.

As a new requirement of ONRSR, the project has involved VicTrack updating asset management plans and safety procedures, and documenting relevant staff roles under a Competency Management Framework.

During the first half of 2016, VicTrack worked through the compliance stage of the accreditation. Employees were also asked to review safety documents, with telecommunication employees expected to be assessed under the new Competency Management Framework.

Once completed, the accreditation gives VicTrack a licence to operate for carrying out our telecommunications works and managing the telecommunications infrastructure in an operational rail environment. It also defines how we work safely with our transport partners.

Bendigo bus interchange PIDs

As part of a $3.8 million upgrade to Bendigo's Mitchell Street bus interchange, VicTrack installed new passenger information displays (PIDs) and customer help units (CHPs), along with the transmission network and software to deliver real time bus information to commuters.

The $900,000 PIDs project was funded by PTV, who work with the City of Greater Bendigo in a bid to improve passenger amenities, accessibility and servicing at the bus interchange.

It followed an initial trial project where VicTrack was nominated as the vendor, along with its contractors 4Tel, Axent and PCMobile Welding.

VicTrack installed three PIDs and CHPs at the Hargreaves Street Mall site (Mitchell Street stop) and also completed civil works to install the supporting poles, casing and screens. VicTrack also provided the transmission network and software required to deliver the real time information, layouts and audio for the PIDs and CHPs.

Dynon S gate project

As the state government's open-access rail freight provider, in 2015 we completed major traffic intersection signal and security gate works at the Dynon Rail Freight Terminal (DRFT) in West Melbourne.

The $594,000 upgrade allowed High Performance Freight Vehicles to have 24/7 direct connectivity between the DRFT and the Port of Melbourne. The work involved:

- installing traffic lights and signals on Dynon Road (S-gate);
- road works such as asphalting and road marking;
- installing state-of-the-art remote control gates at the entry points on Dynon Road (S and T gates) and from Lloyd Street (T and U gates); and
- new fencing and traffic signage.

The works enabled larger capacity trucks to access the DRFT directly without time restrictions, and provided opportunities to further grow the terminal and gain new business, with greatest potential from regional Victoria.

Geelong Wyndham bus infrastructure

VicTrack managed the roll out of 449 new bus stops across the cities of Greater Geelong and Wyndham during 2015-16.

The project was part of wider PTV efforts to improve bus and train service connectivity following the redevelopment of timetables as Regional Rail Link services got underway. The multi-billion dollar project that separated regional and metro trains with new infrastructure led to timetable restructure across Greater Geelong and Wyndham, and a commitment by PTV to provide bus stops approximately every 400 metres.

VicTrack managed the decommissioning old bus stops and design and construction of bus indent bays and concrete hardstands, along with the construction of new concrete bus stop hardstands based on PTV provided standard drawings.

VicTrack appointed Summerhill Maintenance Services to manage updating the timetable signage and bus stop flags at more than 3,000 locations.

VicTrack also appointed Civilex to manage the design and civil construction under the project involving the completion of 364 standard bus stops and 85 bus indent bays.

Telecommunications service

By consolidating our product offer and focussing on key customers, we strengthened the results of our telecommunications business – securing $7 million in new business and exceeding revenue budget by three per cent overall.

The consolidation of the business was a contributor to the year's strengthened results, with the business moving towards productisation through the development of a new service catalogue, which clearly defined service solutions for customers.

The majority of service requests came through transport customers, with a total of 982 for V/Line, 480 for MTM, 642 for Yarra Trams and 965 for VicTrack, with just 130 from the Emergency Service Telecommunications Authority and 133 from other customers.

Outside of major transport projects, the business delivered on a number of significant migration and voice and data projects, including:

- Yarra Trams Preston workshop unified communications deployment;
- MTM relocation of voice services from Flinders Street Station to Collins Street location;
- V/Line migration of operational phones to unified communications for its operational services carriage and rolling stock office;
- decommissioned Eastern Road Operations Centre for Yarra Trams;
- support for DEDJTR Regional Blackspot project by measuring blackspots throughout the rail network;
- unified communications tender won by VicTrack for Victorian Building Authority; and
- Chisholm Institute Cloud Disaster Recovery as a service.

Regional rail communications network

The implementation of new digital radio systems to replace V/Line's existing obsolete Non-Urban Train Radio system, neared completion during 2015-16 – well ahead of the original planned 2018 project completion date.

Most V/Line trains were fitted with the new digital radio systems, and completion is expected to be as early as 2017.

Deployment of train controller capabilities were advanced to testing and acceptance of network infrastructure was underway. The installation onto the majority of the train passenger fleet was almost finished, and all 59 VLocity trains had been completed. Sprinter locomotives and high rail maintenance vehicle deployment were also planned.

The aged non-urban train radio (NUTR) system has continued to be turned off in stages, as regional rail communications network (RRCN) capability replaced old systems on trains and infrastructure in regional areas.

The 2016-17 State Budget included a further $8.638m to deliver the upgrade of the NUTR.

Strategic asset management plans

Over the past 12 months, VicTrack has focussed on the development of a business-wide strategic asset management plan, supported by Property Group and Telecommunications Group plans to set the framework for asset management across the organisation.

In recognition of its role under the *Transport Integration Act 2010 (Vic)*, VicTrack worked to clarify its longer-term strategy on the state's transport-related land, infrastructure and assets, which must be developed and used primarily to support the transport system, under the Act.

The *Strategic Asset Management Plan* has set the framework for asset management across the organisation, ensuring VicTrack was aligned to the requirements of the Department of Treasury and Finance's Asset Management Accountability Framework to which we were required to demonstrate compliance with, including public attestation from the 2017-18 Annual Report and beyond.

VicTrack recognised the need to ensure consolidated, comprehensive and efficient decision making and reporting across the business to drive sound investment planning, and replacement of ageing infrastructure.

The *Strategic Asset Management Plan* also ensured business groups aligned asset management plans with international best practice as defined in ISO 55001.

Commercial property

Positive results for VicTrack's commercial property and land sales during 2015-16 continued to drive investment back to transport and Victorian communities, and strengthened the asset portfolio.

Land sales program

As part of VicTrack's role in releasing land no longer required for transport, we completed 22 sales in our 2015-16 land sales program at locations across metropolitan and regional Victoria.

The sales delivered almost $10 million in revenue to support VicTrack's wider portfolio obligations, and unlocked significant land parcels ready for redevelopment. Significant opportunities were secured at Ringwood, Hawthorn, Healesville, Kilmore, Maryborough and Wodonga.

The land will now be transformed by the private sector into a mix of residential and commercial developments, to stimulate the property market and improve local communities.

Commercial leases

The commercial leasing portfolio achieved gains in 2015-16 under the ongoing management of Brookfield Global Integrated Solutions (BGIS), which took on the portfolio in the previous year.

Uplift in revenue to $26 million was reached this year, which was an increase of $1.8 million compared to the same period last year, despite a number of significant leases being terminated due to major transport projects.

The partnership between VicTrack and BGIS – which includes 1400 commercial leases – also identified further opportunities to grow the portfolio to maximise revenue and build a sustainable asset base that continues to support VicTrack's non-commercial responsibilities.

Billboards and car parks

The ongoing effort to grow VicTrack's billboard portfolio delivered eight new billboards at prominent sites across Melbourne in partnership with QMS Rail Media during 2015-16.

As a result of the first stage of the new development construction pipeline, the portfolio grew by 19 per cent.

The installations included large format digital billboards at Punt Road (northbound) and on the Eastern Freeway, Clifton Hill (inbound). Static billboards were placed on the Eastern Freeway (outbound); Punt Road (southbound); Queens Parade, Clifton Hill; Hume Highway (inbound); Hume Highway (outbound) and Peninsula Link.

Planning approvals were lodged and approved for a further three sites. These included the redevelopment of sites at Nepean Highway (Gardenvale) and Kingsway into digital billboards, and a new static billboard at Williams Landing.

The car park portfolio also grew by 16 per cent under VicTrack's service provider Care Park, with the opening of two new pay and display car parks at Moreland and Brunswick. The new car parks were not part of the public transport network commuter car parks.

Our role in Victoria's major transport projects

As the owner of Victoria's rail land, infrastructure and telecommunications network, we have played a crucial part in Victoria's major transport projects during 2015-16, with major milestones reached in the state's most significant infrastructure to date.

Level Crossing Removal Project

As the LXRA began work to separate rail from road at Melbourne's 50 most congested and dangerous intersections, we have worked alongside the project to redesign the telecommunications network.

During pre-construction at each intersection, we provided design advice on the current and future network requirements as well as land and asset advice, such as the location of infrastructure.

During construction, our role has included rerouting and installing telecommunications cables and network transmission equipment for the project.

Other functions have included investigating potential sites for redevelopment around rebuilt stations; providing access to rail land; advice on environmental land management; and working with leaseholders where the project affected occupied land.

$10.9bn Metro Tunnel

VicTrack has been engaged to ensure the telecommunications network meets the design requirements of the Metro Tunnel, which will deliver a new rail tunnel and stations to Melbourne's CBD.

Our role has also included ensuring designs meet the needs of any future developments under the wider ITN (see pg 19).

During 2016, works got underway around existing telecommunications infrastructure, with VicTrack network engineers providing advice on the preparation of the project scope and technical requirements.

As the project continues, our role will include extending and upgrading the VicTrack telecommunications network and delivering infrastructure to support mobile carrier services in the underground tunnels, as well as land and environmental advice and support.

Other major projects

$5.5bn Western Distributor Project
Advice on land, rail assets and supporting affected leaseholders.

$100m Flinders Street Station Revitalisation Project
On the steering committee and project working group.

$416m Murray Basin Freight Infrastructure Project
Research and advice on services located along rail lines.

Jewell Station goes to market

A major project milestone was reached this year when in February 2016 Moreland City Council approved plans submitted by VicTrack's partner Neometro for the redevelopment of the Jewell Station precinct.

Following the approval, Neometro began marketing and presales of apartments, which were set to form part of the revitalised station precinct.

Under the plans, existing derelict buildings on VicTrack-owned land will be demolished to make way for two eight storey mixed-use buildings, containing ground floor retail, 122 apartments and 100 car parks.

The historic Jewell Station building will form the centrepiece of the revamped station forecourt, featuring a community garden area and artistic and cultural spaces.

Station improvements also include a new ramp and stairs to improve access to the station, along with bike parking, and upgrades to the Upfield bike path.

During 2015-16 we remained focussed on unlocking the potential of transport assets to service communities with more connected precincts offering better commuter links, safer travel and commercial services that add to local streetscapes.

Revitalising transport precincts

Elsternwick rifle range

The transformation of the former Caulfield City Rifle Club into an iconic eatery and bar in Elsternwick got underway during 2015-16.

VicTrack began demolition works at the old disused VicTrack building in March 2016 and construction commenced on 31 March 2016.

The building will be restored to ensure the preservation of its heritage facade and also provide a base building shell for the future tenants.

When completed, the venue will be run by the Riverland Group, a private hospitality organisation with experience in successfully building and operating venues such as Riverland Bar and Pilgrim Bar at Federation Square, the Boatbuilders Yard at South Wharf and The Wye River General Store in Wye River.

Refurbishment works were expected to be completed by August 2016, with the tenant fit out works scheduled for the end of October 2016.

New Glen Waverley award

In June 2016 the Glen Waverley Station precinct won the national award for 'Government Leadership' at the Property Council of Australia's Innovation and Excellence Awards.

It added to awards for planning excellence From Plan to Place from the Planning Institute of Australia's (PIA) Victorian awards, and a commendation for the same category at the PIA National Awards.

St Albans retail precinct

Expressions of interest for a new 700 square metre premium retail precinct at St Albans Station went to market during 2015-16.

It followed the signing of a Memorandum of Understanding with VicRoads and the LXRA, as part of removal of the level crossing at Main Road and the rebuild of the station.

Suitable tenants were being sought for retail and commercial spaces surrounding the station, with the campaign receiving a strong response in its initial stages.

Coupled with the removal of the level crossing at Main Road, the retail development is expected to improve connections between the station and the rest of St Albans and enhance the safety of the station and new bus interchange.

Real estate agents Knight Frank were chosen to manage the expression of interest process to find tenants.

Ballarat Station precinct

Through the latter part of 2015, VicTrack completed a detailed due diligence investigation on the proposed development site at Ballarat Station prior to commencement of the procurement process.

When complete, the $25 million government-funded Ballarat Station precinct is expected to provide a thriving precinct for locals, commuters and visitors, including a refurbishment of the currently disused heritage goods shed to create an integrated hotel and exhibition/convention centre.

VicTrack has continued to work in partnership with Regional Development Victoria (RDV) as they lead the project, which also included Ballarat City Council and DEDJTR.

Windsor air rights development

The first high density air rights residential development over rail in Melbourne reached a significant milestone this year, with the signing of the development deed in December 2015.

The agreement with developer SMA Projects included the air rights over Chapel Street in Windsor, with the project intended to deliver a mixed-use retail and residential development constructed on a deck spanning over the rail cutting.

The town planning application for the landmark development would be lodged for town planning later in 2016.

$20m station car park program

VicTrack began pre-delivery and planning for the $20 million Regional and Metropolitan Railway Station Car Park Program late in 2015-16 following a state government announcement for the funding in its 2016-17 Budget.

With VicTrack engaged to deliver the program, the funding was allocated to provide more car parking spaces at stations. The unlocked land at railway stations is expected to provide up to 1,500 new sealed commuter car parking spaces – largely in outer metropolitan and regional areas. It would also improve accessibility and safety through new lighting, CCTV and signage.

VicTrack was preparing to release tenders at the end of the 2015-16 financial year.

Hampton Station precinct

The revitalisation of the Hampton Station precinct progressed during 2015-16, as we continued to work with development partners epc.Pacific and the Department of Health and Human Services (DHHS) to transform the area.

Bayside City Council approved a traffic management solution that would support the local community at its April 2016 council meeting.

The decision enabled the developer to commence design work towards lodgement of the town planning application.

The project aims to create a safer, more accessible commuter hub, funded through adjoining mixed-use development – with some proceeds used for station upgrades, such as a new station forecourt and improved bus interchange and parking facilities.

Donnybrook Station car park upgrade

Donnybrook's car park extension and upgrade neared completion in 2015-16 as VicTrack managed the works funded by PTV as part of the $8.7 million Regional Station Access and Modal Interchange Program.

The reconstruction of the intersection, left turn lane and related road works was the final stage of the project, which aimed to improve access, amenity, car parking and transport connections at Donnybrook Station.

The car park expansion included the addition of a new car parking area in previously vacant VicTrack land, bringing the total number of spaces at the station to 112. The original gravel car park was formalised with asphalt pavement, line markings, lighting and bike racks to improve the overall station precinct. The car park entrance point was also relocated to Springs Road in order to improve safety and reduce traffic congestion on Donnybrook Road.

The final station car park entrance and road works were expected to be completed September 2016.

Restored rail buildings for rural communities

Five more rural communities benefitted from rail buildings being refurbished for community use during 2015-16 as the four-year state government funded Community Use of Vacant Rail Buildings Program came to a close.

The program worked to revitalise disused heritage railway buildings to provide affordable spaces to enable greater community engagement and activity.

This year the towns of Birchip, Clunes, Trafalgar, Gordon and Dunkeld had buildings restored after years of disuse to enable the state's historic railway buildings to be reopened to local people and the wider community.

The program delivered repurposed station buildings at:

Birchip – permanent community event, exhibition and display space in use by The Lions Club, Birchip Landcare Group and Birchip Historical Society.

Clunes – a community based cultural hub with office and meeting spaces in use by Creative Clunes.

Trafalgar – arts and community space in use by Baw Baw Arts Alliance.

Gordon – a multi-purpose small group meeting and activity space in use by the Australian Railway Historical Society Victorian division and wider community.

Dunkeld – a flexible studio space for local professional and amateur artists as well as a gallery and exhibition space for community under Rails Dunkeld Inc.

Safer bridges for emergency services

A pilot scheme to name 40 Victorian bridges currently at high risk of natural disaster was launched in November 2015 to assist Victoria's emergency services.

Working with the Office of Geographic Names, Emergency Services Telecommunications Authority, local council and local emergency and heritage groups, VicTrack began a process of online community engagement under the pilot Bridge Naming Competition.

The scheme recognised the need to determine precise locations during emergency events and natural disaster responses, which were currently hindered by dozens of unnamed bridges.

The first location was the Huntly-Fosterville Road Bridge, located north of Bendigo, where the surrounding community was asked to submit names based on cultural and historical significance.

A shortlist was then put out for public vote, which was yet to be decided at the end of 2015-16. However, the Office of Geographic Names had approved the use of an online competition to extend the scheme to the other high risk bridges.

With a strong commercial focus we continued to drive investment back to transport and communities, and support other non-commercial activities like community projects and environmental and heritage preservation.

Reinvesting in communities

Heritage and bridge rehabilitation programs

Heritage preservation

In April 2016, VicTrack commenced restoration works at Maldon goods shed, as part of its ongoing $1 million annual Heritage Program to preserve heritage-listed rail assets.

The $400,000 restoration project aimed to return the 130 year-old heritage-listed building to its former glory, with work including restumping of the goods shed and external platforms, repairing the damaged floor, wall and roof, and installing a new galvanised roof. A new platform extension to replicate the original platform on the goods shed would also be built as part of the project.

The works were completed in June 2016 and support the Victorian Goldfields Railway line heritage tourist railway, which also received $30,000 from the Victorian Government to replace 1,000 sleepers and more than two kilometres of track – with the rail used in the upgrade donated by VicTrack.

VicTrack spent a further $100,000 at Serviceston Station on timbering, plastering, repointing and flashing works. The remaining $500,000 of the Heritage Program went on completing restorations that began the previous year at Kaniva, Patchewollock and Manangatang stations and Wycheproof goods shed.

Bridge rehabilitation

VicTrack also completed $1.5 million in bridge rehabilitation works during 2015-16 year, which was a continuation of the ongoing commitment to the Bridge Rehabilitation Program.

The various projects included re-decking, strengthening works and safety barrier upgrades, which were carried out Drouin (Lardners Track, road bridge), Wangaratta (Green Street, road bridge), Stawell (Napier Street, road bridge) and Ouyen (Mitchell Street, footbridge).

Fire restoration at Newport and Maryborough

During 2015-16, VicTrack managed fire rectification works following two disastrous fires at the historic Newport railway workshops in March and August 2015. The areas were leased to tourist and railway operators, with several priceless rail carriages and other heritage assets lost in the fires.

The multi-million rectification works involved recovery and remediation works, including propping damaged walls and buildings structures and later reinstatement of buildings structures.

As part of VicTrack's ongoing role in maintaining the state's rail assets and infrastructure, VicTrack has overseen a $2 million upgrade of fire protection services over the past two years at the Newport railway workshops, in liaison with the Melbourne Fire Brigade.

In 2016, fire safety protection works were also completed at Maryborough Station and plans are underway for other works to be completed this year at the Gemco rail workshops at South Dynon.

Environmental program

Environmental management plays a major role in VicTrack's operations, as one of our major non-commercial activities and as the asset owner of one of Victoria's largest titled land holdings.

Landcare partnership

VicTrack has continued its work with Landcare Australia during 2015-16 to conserve fragments of some of Victoria's most threatened ecosystems, including plains grasslands.

With VicTrack funding, Landcare continued to engage community groups to undertake conservation works at significant sites, and VicTrack developed management plans that supported the conservation efforts in some cases. In 2015-16 funding was provided to support three projects:

Bellarine Tourist Rail

A program of revegetation, management and education within the Bellarine Tourist Rail and Rail Trail to maintain a continuous link of indigenous vegetation between Geelong and Queenscliff.

Clyde Rail precinct

A restoration project to restore a six kilometre link of indigenous vegetation containing threatened vegetation and species listed under the *Flora and Fauna Guarantee Act (1988)* and the *Environment Protection and Biodiversity Conservation Act (1999)*.

The Green Line (Basalt to Bay)

A program of rehabilitation, management and education to create a continuous biodiversity corridor between Koroit and Minhamite, which has endangered vegetation and endangered species.

Contamination removal and land remediation

Asbestos program

In 2015-16, asbestos surveys were undertaken at 108 buildings at more than 50 locations as part of VicTrack's five year rolling asbestos survey program to manage asbestos risk.

Asbestos removal works were undertaken at key sites across Victoria, including Seymour, Newport workshops, Queenscliff, Elsternwick, Heathmont, Macaulay, Ballarat and Ararat. Works largely involved the removal of asbestos materials in buildings and soils to make the areas safe and reduce ongoing asbestos management requirements.

VicTrack asbestos risk was managed in accordance with current OHS regulations, and used an asbestos register and risk matrix to assess potential risk of harm. The level of risk determined the activity undertaken.

Contaminated land program

VicTrack completed contaminated land assessments at more than 82 sites, which triggered further monitoring and remediation where necessary in accordance with VicTrack's *Contaminated Land Management Plan*.

South Dynon remediation

Groundwater remediation works at the South Dynon Rail Yards continued to safely remove the diesel light non-aqueous phase plume of contamination beneath the site, with about 4,800 litres removed from the groundwater through active total fluid remediation in 2015-16.

Queenscliff soil remediation

VicTrack removed approximately 30 tonne of asbestos contaminated soil from beneath a Monterey Cypress pine at the Bellarine Tourist Rail site located in Queenscliff, and the land was reinstated.

Safer level and pedestrian crossings

VicTrack delivered a total of 14 level and pedestrian crossing upgrades in 2015-16, including 11 under the State Level Crossings Upgrade Program and three under the Fix Country Crossing Program – with savings achieved by VicTrack providing for upgrades of an additional priority location at Goulds Lane, Middle Creek.

VicTrack also supported early design works for the $50 million Safer Country Crossing Program, which was set to upgrade 52 priority road and 25 priority pedestrian locations carrying high-speed passenger trains or a high number of heavy vehicles.

In 2016, VicTrack was also selected to deliver construction works for 10 road and four pedestrian safety upgrades during the first year of the program. The works are to be delivered in 2016-17.

Most locations to be upgraded were on the Australian Rail Track Corporation (ARTC) network, with a smaller number of shared ARTC and V/Line locations. PTV also asked VicTrack to complete the pedestrian design works for year two of the program in order to assist government in fast tracking works.

2015-16 State Level Crossing Upgrade Program

Site	Treatment
Bowser, Boorhaman Road	Boom barriers
Broadford, Kennys Lane	Closure
Colac, Flaxmill Road #	Boom barriers

2015-16 Fix Country Crossing Upgrade Program

Site	Treatment
Ballarat North, Heinz Lane	Boom barriers
Fernbank, Fernbank-Lindenow South Road	Flashing lights and boom barriers
Middle Creek, Goulds Lane #	Flashing lights and boom barriers
Rosedale, Mill Lane ~	Closure

\# Co-founded works with VicRoads
~ V/Line managed works

2015-16 State Pedestrian Crossing Upgrade Program

Site	Treatment
Highett, Highett Road (x2)	Emergency exit gates and electromagnetic latches
Keon Park, Keon Parade (x4)	Emergency exit gates and electromagnetic latches
Seaford, Station Street (x2)	Emergency exit gates and electromagnetic latches

Spotswood Records Disposal Project

The preservation of important Victorian rail records continued during 2015-16, as VicTrack managed the appraisal and transfer of vast quantities of public records in its custody at the Spotswood storage facility.

The Spotswood Records Disposal Project team first began work in April 2015, to appraise, sentence and register legacy paper-based records, with those of significant historic value being transferred to Public Records Office Victoria (PROV) for retention as state archives. Remaining records were transferred to a PROV-approved storage facility for ongoing retention and potential future digitisation. Temporary records that had exceeded their minimum retention period as evidentiary records were authorised for destruction in accordance with the PROV standard regarding destruction of records (PROS 10/13).

The project duration from initiation to completion was almost 18 months. The project team worked at Spotswood for 14 months, and the project was delivered within budget with total actual costs amounting to $460,000.

Storage facts

11,500+ boxes of long-term and high-use property files transferred into PROV-compliant storage.

100,000+ engineering drawings appraised and compared to PTV drawing management system (DMS), with plans to make those drawings yet to be digitised (approximately 40,000) available to engineering and operations teams from DMS.

24,000+ previously unlisted files and records have been identified and registered in VicTrack's records management system, with a further 5,000 anticipated by the end of the project.

49 series of permanent records accepted for transfer to PROV – some of which will be open for public access.

Community support programs

As owners of significant state assets, we continued to support communities through direct funding and partnerships as we fulfil our role in helping Victoria thrive.

Community leases

VicTrack was able to support a growing number of community groups through its Community Leases Program during the past year. With 27 new leases added, it brought the number to 423 leases in total with even more awaiting land clearances.

The program continued to make land parcels available at nominal fees for use as neighbourhood open space, parkland or other community purposes for a range of social, environmental, local government and sporting groups.

The total value of the community leases for 2015-16 was $105,776 with some groups also benefitting from additional VicTrack support.

VicTrack contributed $60,000 to upgrade Daylesford Station to bring it back to its original form for the Daylesford Tourist and Heritage Group, and arranged for $15,000 to fix a building tenanted by Traralgon and District Art Society.

Stationeers Keep Victoria Beautiful

VicTrack increased its funding commitment to Keep Victoria Beautiful in 2015-16 to support its Stationeers Program, which helped volunteer groups deliver community gardening and beautification works at regional and metropolitan railway stations.

Funding for the program comes from a partnership between transport bodies, PTV, VicTrack, MTM and V/Line – which all agreed to renew the program this year.

VicTrack committed $50,000 along with an additional $12,000 to support a Small Grants Program for the purchase of safety vests, plants and mulches, gardening equipment and signs.

The Stationeers Program expanded this year, with six new regional and metropolitan stationeer groups added to the existing 53 registered groups.

MoreArt project

Support for Moreland City Council's annual public art show – MoreArt – continued with VicTrack contributing $9,000 to the event during 2015-16.

Our sponsorship went towards a VicTrack award, which was won by the OK Collective, and towards the suburban therapy initiative, which included a program of 20 artists travelling through Moreland and creating art from the thoughts of passers-by.

VicTrack also supported three artists in residence at Jewell Station for the duration of MoreArt.

Section 3

Statutory and financial reporting

Meeting the highest standards of governance and financial management are critical to our success, to ensure we are equipped to meet the growing demands on Victorian transport, and make the most of VicTrack assets.

Statutory information

VicTrack is committed to high standards of corporate governance because this is in the best interests of VicTrack, the Victorian Government, the Victorian public and other stakeholders.

To achieve this, VicTrack has developed corporate governance policies and structures having regard to applicable statutory requirements and relevant best practice recommendations.

Board role and responsibilities

The VicTrack Board of Directors is responsible for the strategic oversight of VicTrack's affairs, including corporate governance practices and overall business performance. The Directors are appointed by the Governor-in-Council and are accountable to both the Minister for Public Transport and the Treasurer. The role and responsibilities of the Board are set out in a formal Board Charter.

Each subsidiary company within the Rolling Stock Holdings group of companies also has the same Board of Directors with responsibility for the relevant company.

Board composition

At year end, the Board comprised eight independent, non-executive Directors: John Lenders (Chair), Yehudi Blacher (Deputy Chair), Brian Bulluss, David Hunter, Michael Trumble, Geraldine Gray, Dr Collette Burke and Paula Allen (appointed 1 April 2016). Former Director Sam Andersen retired from the Board on 31 March 2016.

Each Director has wide experience across various sectors and organisations and together they bring a diverse range of knowledge and business expertise to VicTrack.

Board meetings

In 2015-16, VicTrack held Board meetings monthly, other than in November, January and May.

Board performance

In accordance with the Board Charter, the Board conducts an annual review to evaluate its performance and identify areas for improvement.

Delegation to management

Day-to-day management of VicTrack is delegated to the Chief Executive and other senior managers pursuant to a formal delegations policy. This policy is reviewed annually by the Board.

Board committees

Five Board committees assisted the Board to perform its role during the year. Each is chaired by a Director and has a formal charter setting out its roles and responsibilities.

At year end, the members of the Board sub-committees were:

Audit & Risk Management Committee
David Hunter (Chair), Brian Bulluss, Geraldine Gray and Paula Allen.

Remuneration & Human Resources Committee
John Lenders (Chair), Yehudi Blacher and Geraldine Gray.

Property, Environment & Heritage Committee
Michael Trumble (Chair), David Hunter and Yehudi Blacher.

Telecommunications Committee
Brian Bulluss (Chair,) Collette Burke and Randall Straw (non-director member).

Freight Logistics Committee
Yehudi Blacher (Chair), David Hunter and John Lenders.

VicTrack's Heritage Advisory Panel
(Consisting of David Hunter (Chair), Sam Andersen, Dimity Reed (non-director member, heritage architect) and Martin Zweep (non-director member from Heritage Victoria), held its last meeting on 25 March 2016 before it was disbanded and its role integrated into the Property, Environment & Heritage Committee.

Corporate Plan

VicTrack is required, under the *Transport Integration Act 2010 (Vic)* and the *State Owned Enterprises Act 1992*, to prepare a corporate plan for Ministerial approval. The purpose of the plan is to establish the framework for business strategies and performance monitoring, to be agreed between the Board, the Minister for Public Transport and the Treasurer. The corporate plan is prepared annually and covers a four-year period starting from the current financial year.

Board and committee meetings

Member	Board	ARMC	PEHC	Telco	RHRC	FLC
John Lenders (i) & (ii)	11	-	-	-	4	1
Yehudi Blacher (ii)	10	-	3	-	4	3
Paula Allen (iii)	2	2	-	-	-	-
Sam Andersen (iv)	9	3	-	3	1	-
Brian Bulluss (v)	9	5	-	4	-	-
Collette Burke (vi)	11	-	-	4	1	-
Geraldine Gray (vii)	10	2	-	-	4	-
David Hunter (viii)	10	5	4	-	1	3
Michael Trumble (ix)	9	-	4	-	1	-
Randall Straw (x)	n/a	n/a	n/a	3	n/a	n/a

(i) Appointed to Chair of RHRC on 23 July 2015
(ii) Appointed to RHRC on 23 July 2015
(iii) Appointed to Board and ARMC on 1 April 2016
(iv) Retired from Board, ARMC, RHRC and FLC on 31 March 2016
(v) Retired from RHRC on 23 July 2015 / appointed Chair of FLC on 1 April 2016
(vi) Retired from RHRC on 23 July 2015
(vii) Appointed to RHRC on 23 July 2015 / appointed to ARMC on 25 February 2016
(viii) Retired from RHRC on 23 July 2015 / retired as Chair of PEHC on 31 March2016 / appointed Chair of ARMC on 1 April 2016
(ix) Retired from RHRC on 23 July 2015 / appointed as Chair of PEHC on 1 April 2016
(x) Appointed as a member of FLC on 11 November 2015

Ministerial Directions and Orders in Council

During the reporting period, three Orders in Council were given to the VicTrack Board by the Minister for Public Transport. The orders related to the appointment of Directors to the VicTrack Board.

Occupational health and safety

The goal of VicTrack's occupational health and safety strategy is to ensure all staff remain safe and healthy at work. During the 2015-16 financial year, VicTrack developed several initiatives to improve the health and safety of staff, the provision of health and wellbeing information and testing, influenza vaccinations and support for staff participating in corporate fitness programs. VicTrack undertook wellbeing activities for R U Ok? Day RAIL 2016.

VicTrack undertook a review and update of its OHS procedures during the 2015-16 financial year, to complement work conducted in the previous financial year to it rail safety management system.

There were three reported lost time injuries during the financial year, each resulting in the affected worker losing the equivalent of one full shift.

Year	2015-16	2014-15
Rail safety incidents	9	15
Lost time injuries	3	3

Rail safety

VicTrack has undertaken a substantive review of its Safety Management System (SMS) as part of an application to expand its existing rail accreditation to include:

- trunk telecommunication infrastructure for the metropolitan rail network; and
- the ability to undertake Construction, Installation, Modification, Commissioning, and Decommissioning of railway infrastructure within its rail geographic boundaries.

The process for review and update of the SMS is as follows:

- review and update VicTrack's Principal Safety Risk Register;
- revisions to Competency Management Frameworks;
- update to Asset Management Plans; and
- the creation, update and revision to 170 procedures and documents within the SMS.

There have been nine reportable rail safety incidents to the regulator (Office of the National Rail Safety Regulator) for this financial year.

VicTrack OHS Performance

Measure		2014-15	2015-16
Claims		3	3
	Number of claims exceeding 13 weeks	2	0
Fatalities	Fatalities claims	0	0
Return to work	Percentage of claims with return to work plan <30 days	100%	100%
Management commitment	Evidence of OHS policy statement, OHS objectives, regular reporting to senior management on OHS, and OHS plans (signed by CEO or equivalent)	Statement of commitment signed by CEO. Monthly reporting to senior executives.	Statement of commitment signed by CEO. Monthly reporting to senior executives.
	Evidence of OHS criteria in purchasing guidelines (including goods, services and personnel).	Purchasing guidelines contain OHS criteria.	Procurement process was reviewed and updated in accordance with recent revisions to Ministerial Direction 1.
Consultation and participation	Evidence of agreed structure of designated workgroups (DWGs), Health and Safety Representatives (HSRs), and Issue resolution Procedures	There are six designated work groups in total with 11 HSRs and deputy HSRs appointed and trained. OHS consultation, communication, and issue resolution procedure established with clear guidance for employees, OHS Committee and management. OHS Committee terms of reference in place, with both terms of reference and OHS consultation, communication, and Issue resolution procedure endorsed by management and OHS Committee.	There are six designated work groups in total with 11 HSRs and deputy HSRs appointed and trained. OHS consultation, communication, and issue resolution procedure was reviewed in 15-16 for currency. Safety Committee terms of reference was reviewed, updated and endorsed by the Executive Team and the Safety Committee.
	Compliance with agreed structure on DWGs, HSRs, and IRPs	All DWGs have HSR representation and have access to the OHS consultation, communication, and issue resolution procedure.	All DWGs have HSR representation and have access to the OHS consultation, communication, and issue resolution procedure.

Measure		2014-15	2015-16
Safety risk management	Percentage of internal audits/inspections conducted as planned	100% of planned workplace inspections completed.	100% of planned workplace inspections completed.
Compliance	Number of WorkSafe notices issued	Nil issued	Nil issued
Training	Percentage of managers and staff that have received OHS training:		
	• Induction	100%	100%
	• Percentage of HSRs trained.	100 %	100 %

Employment and conduct principles

VicTrack is committed to applying equity principles when appointing staff. Selection processes ensure that applicants are assessed and evaluated fairly and on the basis of key selection criteria and other accountabilities without discrimination. Employees have been correctly classified in workforce data collection.

Workforce inclusion policy

VicTrack is working towards creating a balanced working environment where equal opportunity and diversity are valued. VicTrack has developed a Diversity Policy and, in 2016-17, will be developing a Diversity Strategy to include gender targets. VicTrack's current gender profile is 74 per cent male and 26 per cent female.

Workforce data

Public administration values and employment principles

The Victorian Government established the Victorian Public Sector Commission (VPSC) replacing the State Services Authority, with effect from 1 April 2016. VicTrack continues to implement the directions of the VPSC (and former SSA) with respect to fostering public sector professionalism and integrity, upholding public sector conduct, managing and valuing diversity, managing under performance, reviewing personal grievances and selecting on merit.

In 2015-16, VicTrack is reviewing its suite of employment policies, including policies with respect to grievance resolution, recruitment, managing underperformance, discipline and managing diversity.

Comparative workforce data (i) (ii) (iii)

Table 1. Full time equivalents (FTE) staffing trends from 2012 to 2016

2016	2015	2014	2013	2012
319	319	304	290	300

Table 2. Summary of employment levels in June of 2015 and 2016

	Ongoing employees(iv)				Fixed term and casual employees
	Employees (headcount)	Full time (headcount)	Part time (headcount)	FTE	FTE
June 2016	326	240	13	249	73
June 2015	324	243	15	252	70

(i) All figures reflect employment levels during the last full pay period in June of each year.

(ii) Excluded are those on leave without pay or absent on secondment, external contractors/consultants, and temporary staff employed by employment agencies, and a small number of people who are not employees but appointees to a statutory office, as defined in the *Public Administration Act 2004*.

(iii) Ongoing employees includes people engaged on an open ended contract of employment and executives engaged on a standard executive contract who were active in the last full pay period of June.

(iv) Excludes Executive officer data (see page 103).

Statutory information (cont.)

Table 3. Details of employment levels in June of 2015 and 2016 (iv)						
	2016			2015		
	Ongoing		Fixed term and casual employees	Ongoing		Fixed term and casual employees
	Employees (headcount)	FTE	FTE	Employees (headcount)	FTE	FTE
Gender						
Male	186	185	37	190	188	40
Female	67	64	16	68	64	13
Total	**253**	**249**	**53**	**258**	**252**	**53**
Age						
Under 25	0	0	3	0	1	1
25-34	46	45	9	46	52	9
35-44	76	74	18	77	69	21
45-54	81	81	13	80	83	15
55-64	46	45	9	50	44	7
Over 64	4	4	1	5	3	0
Total	**253**	**249**	**53**	**258**	**252**	**53**
Classification						
VPS 1	0	0	3	1	1	1
VPS 2	3	3	2	2	2	0
VPS 3	13	11	2	12	10	5
VPS 4	45	44	5	48	46	3
VPS 5	80	80	4	87	86	2
VPS 6	112	111	16	106	105	11
STS	0	0	21	2	2	31
Other	0	0	0	0	0	0
Total	**253**	**249**	**53**	**258**	**252**	**53**

(iv) Excludes Executive officer data (see page 103).

Executive officer data

An executive officer (EO) is defined as a person employed as a public service body head or other executive under Part 3, Division 5 of the *Public Administration Act 2004*. All figures reflect employment levels at the last full pay period in June of the current and corresponding previous reporting year.

The following table discloses the EOs of VicTrack at 30 June 2016 in the categories of 'ongoing' and also according to gender. The table also disclose the variations, denoted by 'var' between the current and previous reporting period.

Table 4. Breakdown of EOs at 30 June 2016

	All		Ongoing						
					Male		Female		Vacancies
Class	No.	Var.	No.	Var.	No.	Var.	No.	Var.	No.
EO 1	1	0	1	0	1	0	0	0	0
EO 2	10	3	10	3	9	4	1	(1)	0
EO 3	9	0	9	0	5	0	4	0	0
Total	**20**	**3**	**20**	**3**	**15**	**4**	**5**	**(1)**	**0**

The Victorian Industry Participation Policy

The *Victorian Industry Participation Policy Act 2003* requires departments and public sector bodies to report on the implementation of the Victorian Industry Participation Policy (VIPP). Departments and public sector bodies are required to apply VIPP in all procurement activities valued at $3 million or more in metropolitan Melbourne and for state wide projects, or $1 million or more for procurement activities in regional Victoria.

During 2015-16, VicTrack commenced six VIPP applicable procurements totalling $12.5 million. Of those projects, five were located in regional Victoria and one in metropolitan Melbourne. The outcomes expected from the implementation of the VIPP to these projects where information was provided are as follows:

- an average of 86 per cent of local content commitment was made;
- a total of 218 jobs (AEE) were committed, including the creation of 41 new jobs and the retention of 177 existing jobs (AEE); and
- a total of 48 positions for apprentices/trainees were committed, including the creation of 19 new apprenticeships/traineeships, and the retention of the remaining 29 existing apprenticeships/traineeships.

The commitments to the Victorian economy in terms of skills and technology transfer include training and skills development of apprentices, providing design staff and electricians (including apprentice) training with the required XP4 technology, the required ACM 100 Axle Counter technology training, training in software integration/design, mechanical and electrical design, electrical engineering and civil design.

During 2015-16, VicTrack completed two VIPP applicable projects, collectively valued at about $5.2 million. The outcomes reported from the implementation of the VIPP where information was provided, were as follows:

- an average of 93 per cent of local content outcome was recorded;
- a total of 20 (AEE) positions were created; and
- three new apprenticeships/traineeships were created and five existing apprenticeships/traineeships retained.

The benefits to the Victorian economy in terms of retention of skills from the completed projects included up skilling of workforce via certified training in construction, safety and environmental awareness and providing training and apprenticeship opportunities.

Engagement of consultants

Details of consultancies (valued at $10,000 or greater)

In 2015-16, there were 37 consultancies where the total fees payable to the consultants were $10,000 or greater. The total expenditure incurred during 2015-16 in relation to these consultancies was $2.02 million (excluding GST). Details of individual consultancies can be viewed at www.victrack.com.au/annualreports.

Details of consultancies under $10,000

In 2015-16, there were 16 consultancies engaged during the year, where the total fees payable to the individual consultancies was less than $10,000. The total expenditure incurred during 2015-16 in relation to these consultancies was $0.06 million (excl. GST).

Disclosure of major contracts

VicTrack did not enter into contracts greater than $10 million in value during 2015-16. In accordance with the requirements of government policy and accompanying guidelines, VicTrack discloses all contracts greater than $10 million in value. During 2015-16 no contracts reaching that value were entered into.

Information and communication technology expenditure

For the 2015-16 reporting period, VicTrack had a total ICT expenditure of $4.188 million with the details shown below.

Expenditure	$'000
Business as usual ICT expenditure	2,753
Non-business as usual ICT expenditure	1,435
Operational expenditure	246
Capital expenditure	1,189

Freedom of information

The *Freedom of Information Act 1982 (Vic) (FoI Act)* allows the public a right of access to documents held by VicTrack. For the year ending 30 June 2016, VicTrack received eight requests, all from the general public (including one which was transferred from Public Transport Victoria).

VicTrack transferred three requests to other agencies; two of these were from Members of Parliament and concerned the Level Crossing Removal Project.

No internal reviews were requested, no reviews were sought of the FoI Commissioner and no notifications of VCAT hearings were received.

FOI Requests - Year ending 30 June 2016	
Requests Received	
Requests received in 2015-16 (including one transferred from PTV)	8
Requests received in 2014-15 and finalised in 2015-16	2
Decisions on FOI requests in 2015-16	
Access granted in full	2
Access granted in part	1
Access refused	0
Documents not located/do not exist	4
Other	2
Not yet finalised	1
Reviews of decisions	
Nil	
Complaints	
Complaints to FoI Commissioner	0
Complaints to VCAT	0
Transfers	
Requests referred to other department (pursuant to s18 of the FoI Act)	3

Making a request

Access to documents may be obtained through a written request to the Freedom of Information Officer as detailed in s17 of the *Freedom of Information Act 1982.*

In summary, the requirements for making a request are:

- it should be in writing;
- it should identify as clearly as possible which document is being requested; and
- it should be accompanied by the appropriate application fee (being $27.90 as at 1 July 2016), which may be waived in certain circumstances.

Requests should be submitted to:

The Freedom of Information Officer
VicTrack
GPO Box 1681
Melbourne Victoria 3001

Availability of information

In compliance with the requirements of the Standing Directions of the Minister for Finance, details in respect of the items listed below have been retained and are available to relevant Ministers, Members of Parliament and the public on request (subject to the freedom of information requirements, if applicable):

a) a statement that declarations of pecuniary interests have been duly completed by all relevant officers;

b) details of shares held by a senior officer as nominee or held beneficially in VicTrack or a subsidiary;

c) details of publications produced by VicTrack itself and where they can be obtained;

d) details of changes in price, fees, charges, rates and levies charged by VicTrack;

e) details of any major external reviews carried out on VicTrack;

f) details of major research and development activities undertaken by VicTrack;

g) details of overseas visits undertaken including a summary of the objectives and outcomes of each visit;

h) details of major promotional, public relations and marketing activities undertaken by VicTrack to develop community awareness of VicTrack and its services;

i) details of assessments and measures undertaken to improve the occupational health and safety of employees;

j) a general statement on industrial relations within VicTrack and details of time lost through industrial accidents and disputes;

k) a list of major committees sponsored by VicTrack, the purposes of each committee and the extent to which the purposes have been achieved; and

l) details of all consultancies and contractors, including consultants/contractors engaged, services provided and expenditure committed to for each engagement.

The information is available on request from the Company Secretary at the address on back cover of this report.

Compliance with the *Building Act 1993*

VicTrack is working towards full compliance with the building and maintenance provisions of the *Building Act 1993* in relation to the buildings it owns. A compliance program is in place in order to meet these requirements and relevant guidelines.

National Competition Policy

Under the *National Competition Policy*, the guiding legislative principle is that legislation, including future legislative proposals, should not restrict competition unless it can be demonstrated that: the benefits of the restriction to the community as a whole outweigh the costs the objectives of the legislation can only be achieved by restricting competition.

Competitive neutrality requires government businesses to ensure where services compete, or potentially compete with the private sector, any advantage arising solely from their government ownership be removed if they are not in the public interest. Government businesses are required to cost and price these services as if they were privately owned and thus be fully cost reflective. Competitive neutrality policy provides government businesses with a tool to enhance decisions on resource allocation. This policy does not override other policy objectives of government and focuses on efficiency in the provision of service.

In 2014, VicTrack's policies and processes were updated to ensure alignment with *Victoria's Competitive Neutrality Policy*. This was based on VicTrack's 2014 review which found VicTrack's business processes for price determination are consistent with the *Victorian Competitive Neutrality Policy*.

The infrastructure leases with Public Transport Victoria provide for open access to Victoria's rail infrastructure. PTV sub-leases to national, regional and suburban train and tram operators to facilitate the state's open access regime, fostering competition among intrastate and interstate transport companies.

VicTrack also manages the Dynon Rail Freight Terminal. Critical rail facilities fall within the Victorian rail access regime and others compete on a commercial basis.

VicTrack has approached its other non-transport opportunities within the framework of maintaining an open track access regime. That is, no one party is given exclusive rights to the rail corridor to the detriment of competition.

Compliance with the *Protected Disclosure Act 2012* (formerly the *Whistleblowers Protection Act 2001*)

The *Protected Disclosure Act 2012* encourages and assists people in making disclosures of improper conduct by public officers and public bodies. The Act provides protection to people who make disclosures in accordance with the Act and establishes a system for the matters disclosed to be investigated and rectifying action to be taken.

VicTrack does not tolerate improper conduct by employees, or the taking of reprisals against those who come forward to disclose such conduct. It is committed to ensuring transparency and accountability in its administrative and management practices and supports the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment.

VicTrack will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. It will also afford natural justice to the person who is the subject of the disclosure to the extent it is legally possible.

Disclosures of improper conduct or detrimental action by VicTrack or any of its employees and/or officers may also be made directly to the Independent Broad-Based Anti-Corruption Commission:

Level 1, North Tower, 459 Collins Street
Melbourne Victoria 3000

Internet: www.ibac.vic.gov.au which has a secure form for making anonymous complaints.

Alternatively, disclosures of improper conduct or detrimental action by VicTrack or any of its employees and/or officers may be made to:

- the Protected Disclosure Coordinator, being the General Counsel and Company Secretary;
- the Chief Executive;
- a manager or supervisor of a VicTrack employee who chooses to make a disclosure; and
- a manager or supervisor of a VicTrack employee about whom a disclosure has been made.

However, a person that discloses improper conduct or detrimental action by VicTrack to the VicTrack Protected Disclosure Coordinator may not be afforded protection under the Act.

During the year, there were no disclosures made to VicTrack, nor disclosed matters referred to the Ombudsman.

Compliance with the *Carers Recognition Act 2012*

VicTrack has taken all practical measures to comply with its obligations under the Act. These include: considering the carer relationships principles set out in the Act when setting policies and providing services including the flexible working and leave policies to ensure that these comply with the statement of principles in the Act.

Compliance with the *Disability Act 2006*

VicTrack has identified the need to provide a Disability Action Plan. The plan is scheduled to be developed and implemented, along with diversity initiatives, in 2015-16.

Office based environmental impacts

VicTrack previously reported against FRD 24C for the first time in 2014-15. VicTrack's *Environment and Sustainability Strategy* was endorsed by the Executive Team and the Property and Environment Heritage Committee in 2016, with implementation across the organisation currently underway. The strategy had three focus areas, aligned to VicTrack's Corporate Plan. As part of the strategy, an environmental management system (EMS) would be developed and rolled out to meet government requirements, and to reduce environmental impact. Part of the EMS would focus on office based activities in the areas of energy use, waste production, paper use, water consumption, transportation fuel consumption, greenhouse gas emissions and sustainable procurement. Other areas relating to understanding and reducing office based environmental impacts will also be considered.

VicTrack was currently looking at its accommodation to consolidate employees into fewer buildings, which would possibly impact reduction targets on some office based environmental impacts.

VicTrack's greenhouse gas inventory has been prepared using *The National Greenhouse Accounts Factors* updated by the Australian Government's Department of Environment in August 2015.

Energy

VicTrack consumed energy at a number of facilities including: Corporate Office (La Trobe Street, LifeLab, 595 Collins Street and Spotswood) and non-office based data facilities (Gertrude Street, Spotswood and Spencer Street). Energy data was collected through the energy retailer billing information.

Energy consumed for the base building amenities such as heating, cooling, fire and security systems at the 1010 La Trobe Street and 595 Collins Street office locations was not metered separately for each tenant within the building.

Energy consumed for the base building amenities was charged to building management and subsequently apportioned to each occupier within the building based on the occupied floor space. As such, the amount of energy consumed by VicTrack for base building amenities at these locations could not be accurately obtained, and has not been included in the energy usage report for 2015-16 or 2014-15.

VicTrack own and operate three data centres for both VicTrack operational and external customer use. VicTrack utilises the data facilities for its unified communications system and as a primary and secondary data centre to operate its information and communication technology. In 2014-15, VicTrack reported energy use for two data centres only.

Energy consumption was much greater at the data centres than at standard operational facilities, such as offices, due to the high energy demand of equipment and the specialised environment, which required cooling and an uninterruptible power supply.

Table 1. Energy use

Indicator	2014-15	2015-16
Total energy usage (office based)[1] (MJ)	3,307,167	3,690,718
Greenhouse gas emission associated with total energy use (t CO2-e)	1,084	1,158
Percentage of energy purchased as green power	-	-
Units of energy used per FTE (MJ / FTE)	10,367*	11,580
Units of energy used per unit of office area (MJ/m2)	851	871
Energy usage (data management)[2] (MJ)	9,119,760	9,822,550
Greenhouse gas emission associated with total energy use (data management) (t CO2-e)	2,989	3,083

1 Total energy usage at VicTrack corporate facilities includes 1010 La Trobe, LifeLab, 595 Collins Street and Spotswood. The data also includes energy usage for the NOC (Network Operations Centre) located at 1010 La Trobe Street, which is a 24 hour 7 days per week facility that manages data and monitors the network. Currently, the NOC is not metered separately from the corporate office facility and therefore energy usage reported appears to be higher than expected for a corporate facility.

2 Total energy usage for data management includes energy usage at data centres. The data has not been included in the total energy usage calculation.

* Value amended in 2015-16.

Actions undertaken

A new data collection method was introduced in 2015-16 to improve the quality of energy data collection and reporting. No direct programs/ initiatives were implemented during the year to reduce energy impacts.

Result

There was an 11 per cent increase in total energy usage (office based) in 2015-16 compared to 2014-15. This was likely to be attributable to the additional office space located at Spotswood, which housed few FTEs but had a large footprint.

Targets

Office based programs would be explored and implemented where feasible in the coming financial years to assist with achieving reduction targets including:

- explore light globe replacement program depending on accommodation requirements;
- explore opportunities with payback periods of less than five years;
- explore accommodation green star fit out;
- explore purchasing of green power;
- explore remote monitoring of electricity consumption; and
- office based programs introduced to target reduction in energy usage.

Statutory information (cont.)

Paper

The data presented in Table 2 below represents paper usage for 97 per cent of the staff located over four corporate offices (La Trobe Street, LifeLab, Dynon Terminal and 595 Collins Street) for 2015-16 and 90 per cent of the staff located over two corporate offices (La Trobe Street and LifeLab) for 2014-15.

Table 2. Paper use

Indicator	2014-15	2015-16
Units of A4 equivalent copy paper used (reams)	3,198	2,447
Units of A4 equivalent copy paper used per FTE (reams / FTE)	10	8
Percentage of >80% recycled content copy paper purchased	68	44
Percentage of 50-79% recycled content copy paper purchased	0	0
Percentage of 0-49% recycled content copy paper purchased	15	9
Percentage of carbon neutral certified copy paper purchased	17	46

Notes: Carbon neutral certified paper includes paper that has been endorsed under the Programme for Endorsement of Forest Certification (PEFC) and the Forest Stewardship Council (FSC).

Actions undertaken

Actions taken by VicTrack to reduce paper usage impacts in 2015-16 include:

- copy paper purchased through the paper supplier is 80 per cent recycled paper and an increasing trend towards carbon neutral paper being purchased;
- ongoing implementation of the "Follow me Print" program as the default printer setting on all office based computers; and
- leasing of new printers which allow for monitoring and reporting on paper usage.

Result

Total paper usage reduced by approximately 23 per cent in 2015-16 when compared to 2014-15. The number of reams used per FTE also reduced by "30 per cent in 2015-16 when compared to 2014-15.

Targets

Future targets will be set and documented along with this year's baseline data in VicTrack's sustainability strategy and action plan. A number of office based programs will also be implemented in order to achieve targets including:

- the default copy paper to have a minimum 80 per cent recycled content for all 2015-16 purchases; and
- reduce units of A4 equivalent copy paper used per FTE by five per cent within four years from baseline values recorded in 2014-15.

Transportation

VicTrack fleet comprises 65 vehicles of which 92 per cent are operational and the remainder executive vehicles. Of the operational fleet, 52 per cent are diesel fuelled 4-cylinder 4WD; 23 per cent are 4-cylinder diesel fuelled, 18 per cent are 4-cylinder petrol fuelled and seven per cent are hybrid vehicles. The executive fleet are all 4-cylinder vehicles with 71 per cent diesel fuelled and 29 per cent petrol fuelled.

Table 3 below provides a summary on distance travelled, energy consumption and emission data segmented by vehicle type.

Table 4 provides details on air travel and employee mode of transport to and from work. Air travel represents the approximate kilometres travelled by aircraft for the entire VicTrack staff. The data for employee mode of transport represents approximately 97 per cent of employees which are located at three of VicTrack's corporate locations (1010 La Trobe Street, 595 Collins Street and LifeLab).

Table 3. Operational vehicle transport

Indicator	2014-15				2015-16			
	4 cyl diesel 4WD	4 cyl diesel	4 cyl petrol	Hybrid	4 cyl diesel 4WD	4 cyl diesel	4 cyl petrol	Hybrid
Total energy consumption (MJ)	3,339,110	1,530,984	512,819	92,805	3,030,171	1,789,231	455,969	102,196
Total vehicle travel associated with entity operations (km)	813,535	400,517	154,872	42,853*	672,062	347,686	98,670	37,722
Total greenhouses gas emission from vehicle fleet (t CO2-e)	231	106	34	6	212	125	31	7
Greenhouse gas emissions from vehicle fleet per 1,000 km travelled (t CO2-e)	0.28403	0.26452	0.22086	0.14445	0.31522	0.35971	0.31147	0.18260

Notes: Vehicle energy consumption data for 2014-15 and 2015-16 is based on data from a 1 June to 31 May 12 month period.
*Value amended in 2015-16.

Table 4. Other Travel

Indicator	2014-15	2015-16
Air Travel: Distance travelled by aeroplane (km)	16,012	25,862
Employee mode of transport: Percentage of employees regularly (>75% of work attendance days) using public transport, cycling, walking, or carpooling to and from work or working from home, by locality type	80	91

Actions undertaken

Actions taken by VicTrack to reduce impacts include:

- all staff on the enterprise agreement are provided with a transport (Myki) card for personal travel use; and
- where possible, VicTrack staff are encouraged to take public transport to meetings.

Result

The total emissions for operational vehicles were consistent with 2014-15. A review of the log books indicates the slight increases in greenhouse gas emissions from vehicle fleet per 1,000km travelled is likely attributable to an increase in short metropolitan trips in 2015-16 which utilises more fuel per kilometre than regional trips.

Targets

Future initiatives to be considered include:

- increasing the number of hybrid fleet vehicles; and
- promoting the use of alternative transport methods such as walking, public transport.

Waste

The waste generated processes within VicTrack is divided into four waste streams including secure document recycling, cardboard & paper recycling, co-mingled recycling and landfill.

A waste separation system is available at two of VicTrack's corporate office locations (La Trobe Street and LifeLab) which segregates the waste into the above four waste streams including secure document recycling, cardboard and paper recycling, co-mingled recycling and landfill. Waste is also sorted into green waste however due to the waste contractor's disposal methods green waste is currently taken to landfill.

The data presented in Table 5 below has been extrapolated from one five-day waste audit at 1010 La Trobe Street which represents 77 per cent of VicTrack employees. Green waste has been included in the landfill waste stream due to contractor disposal conditions. VicTrack has since organised a separate green waste disposal contractor to recycle green waste collected at 1010 La Trobe Street.

Table 5. Waste

Indicator	2014-15				2015-16			
	Cardboard / Paper recycling	Co-mingled recycling	Secure document recycling	Landfill	Cardboard / Paper recycling	Co-mingled recycling	Secure document recycling	Landfill
Total units of waste disposed of by destination (kg/yr)	2,533.5	1,508.2	2,261.2	6,332.8	1,189.0	2,882.9	3,462.1	6,415.6
Units of waste disposed of per FTE by destination (kg/FTE/yr)	10.7	6.4	9.5	26.7	4.8	11.6	13.9	25.8
Recycling rate (% of total waste)				49.9				54
Greenhouse gas emissions associated with waste disposal (t CO2-e)				8.8				6.8

Actions undertaken

VicTrack has targeted waste reduction on a broader project scale including:

- permitting the reuse of contaminated soil on VicTrack land;
- recycling of office based materials (old batteries, printer cartridges); and
- recycling of project based materials (e.g. concrete, metals, etc).

Result

The recycling rate increased by 4 per cent in 2015-16 and the greenhouse gas emissions associated with waste disposal decreased by 2 t CO2-e.

Targets

Office based waste reduction targets will be established as part of the implementation of VicTrack's environmental sustainability strategy and action plan. Initiative to assist with waste management will also include:

- awareness campaign on office waste recycling;
- investigating the recycling of e-waste;
- fluoro tube recycling; and
- recycling of rail materials in projects (e.g. ballast).

Water

VicTrack's main corporate office located in the Docklands is a 5-Star energy rating building, which houses 77 per cent of VicTrack employees. The building has a closed loop blackwater treatment plant that recycles/reuses approximately 95 per cent of water from the building. Water collected from the toilet, hand basins, showers and kitchen areas are treated by the unit and recycled back into the system. Only a small amount of reticulated water is used for showers, hand basins and kitchen areas.

Approximately 97 per cent of VicTrack employees are located within VicTrack's three corporate office spaces (Docklands, LifeLab and 595 Collins Street). At these locations water consumption is not metered separately. Water consumed is charged to building management and subsequently apportioned to each occupier within the building based on the occupied floor space. As such, the amount of water consumed by VicTrack cannot be accurately obtained at this time and has not been reported for the 2015-16 financial year.

Greenhouse gas emissions

The emissions disclosed in this section provide a summary of VicTrack's greenhouse footprint. The data presented here has been taken from previous sections.

Table 6. VicTrack total emissions

Indicator	2014-15	2015-16
Total greenhouse gas emissions associated with energy use (t CO2-e)	1,084.0	1,080.0
Total greenhouse gas emissions associated with vehicle fleet (t CO2-e)	377.0	375.0
Total greenhouse gas emissions associated with air travel (t CO2-e)	0.9	1.5
Total greenhouse gas emissions associated with waste production (t CO2-e)	8.8	6.8
Greenhouse gas emissions offset purchased (t CO2-e)	0.0	0.0
Total greenhouse gas emissions (t CO2-e)	**1470.7**	**1463.3**
Other indicators		
Greenhouse gas emission associated with energy use (data management) (t CO2-e)	2,989.0	2,962.0

Result

Overall total greenhouse gas emissions for 2015-16 were similar to 2015-14 results. In 2015-16 emissions associated with air travel increased while waste production emissions decreased.

Procurement

VicTrack procures both goods for office and field based activities and services from contractors/consultants.

VicTrack has incorporated environmental requirements into procurement decision making by:

- including schedules in tender documents that require tenderers to disclose their environmental management practices;
- including schedules in tender documents that require tenderers to disclose any environmental breaches that may have occurred;
- weighting of environmental considerations as part of the tender review process;
- purchasing paper with a recycled content;
- developing an environmental sustainability strategy which includes establishing green procurement policies and purchasing standards; and
- establishing organisational workflows which require business groups to consult with the environmental group to determine project environmental impacts.

Enterprise risk management

VicTrack recognises there is uncertainty tied to its activities, but through the application of effective risk management the organisation can understand the context of that uncertainty and adopt strategies to both protect and create opportunity.

The Board and management are committed to identifying and appropriately managing this uncertainty and the resulting risk. The Board committee structure, with a specialist Audit and Risk Management Committee, is an important part of risk management at VicTrack.

In addition, VicTrack maintains a comprehensive Risk Management Program, founded on a framework that meets international best practice. VicTrack conducts regular reviews of identified risks and controls to ensure risk is appropriately mitigated.

An internal audit program is carried out each year, developed with regard to the risks identified through the enterprise risk management process.

Risk management and insurance compliance attestation

I, John Lenders, Chair of VicTrack, certify that VicTrack has complied with the *Ministerial Standing Direction 4.5.5 – Risk Management Framework and Processes* with the exception that there is partial compliance with the new requirements for the management of shared inter-agency risks.

Processes have been developed and partially implemented to facilitate the identification and management of inter-agency risks. Full implementation of these processes will be achieved in the 2016-17 financial year.

The VicTrack Audit and Risk Management Committee verifies this.

John Lenders
Chair
Victorian Rail Track (VicTrack)
18 August 2016

Compliance with DataVic Access Policy

Consistent with the DataVic Access Policy issued by the Victorian Government in 2012, which requires agencies to make datasets or databases accessible for public use unless needing to be restricted for reasons of privacy, public safety, security and law enforcement, public health and compliance with the law, VicTrack has not released, or identified for release, any dataset or database.

Independent auditor's report

VAGO

Victorian Auditor-General's Office

Level 24, 35 Collins Street
Melbourne VIC 3000

Telephone 61 3 8601 7000
Facsimilie 61 3 8601 7010
Website www.audit.vic.gov.au

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Victorian Rail Track

The Financial Report

I have audited the accompanying financial report for the year ended 30 June 2016 of Victorian Rail Track which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the declaration by the chair, accountable officer and deputy chief executive. The financial report is the consolidated financial statements of the consolidated entity, comprising Victorian Rail Track and the entities it controlled at year end or from time to time during the financial year as disclosed in note 20 to the financial statements.

The Board Members' Responsibility for the Financial Report

The Board Members of Victorian Rail Track are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Board Members determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Auditing in the Public Interest

Independent Auditor's Report (continued)

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, I and my staff and delegates have complied with the applicable independence requirements of the Australian Auditing Standards and relevant ethical pronouncements.

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of Victorian Rail Track and the consolidated entity as at 30 June 2016 and their financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE
15 September 2016

for Dr. Peter Frost
Acting Auditor-General

2
Auditing in the Public Interest

Statutory statement

Declaration by Chair, Accountable Officer and Deputy Chief Executive

30 June 2016

The attached financial statements for Victorian Rail Track ("VicTrack") (as an individual entity and the Consolidated Entity comprising VicTrack and its Controlled Entities) have been prepared in accordance with Direction 4.2 of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cashflow statement, and notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2016 and the financial position as at 30 June 2016 of VicTrack and the Consolidated Entity.

As at the time of signing we are not aware of any circumstance that would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 15 September 2016.

John Lenders
Chair
Dated: 15 September 2016

Campbell A. Rose
Chief Executive
Dated: 15 September 2016

Garry Button
Deputy Chief Executive
Dated: 15 September 2016

Financial performance

Parent Entity

The Parent Entity VicTrack recorded an operating profit before tax and depreciation of $15.4 million for the 2015-16 financial year and had a net cash inflow from operating activities of $18.9 million.

The depreciation charge for the Parent Entity VicTrack reflects usage of major infrastructure assets for public transport purposes. The assets have been revalued at 30 June 2016. While the depreciation charge results in an accounting loss, it does not impact on VicTrack's ability to produce a positive cashflow from operating activities.

The following table reflects VicTrack's financial performance over the past five years:

Financial summary VicTrack	2016 $m	2015 $m	2014 $m	2013 $m	2012 $m
Total revenue	161.9	191.5	168.3	163.1	194.5
Total operating expenditure	(146.5)	(150.3)	(124.2)	(103.1)	(85.9)
Net profit/(loss) before income tax & depreciation	15.4	41.2	44.1	60.0	108.6
Depreciation charge	(596.2)	(522.4)	(482.0)	(394.6)	(417.9)
Net cash inflow from operating activities	18.9	36.0	56.2	36.4	79.3
Total assets	26,812.1	25,483.4	22,300.1	20,769.2	19,409.7
Total liabilities	(2,626.8)	(2,817.1)	(2,589.7)	(2,693.2)	(2,818.3)
Net assets	24,185.2	22,666.3	19,710.4	18,076.0	16,591.4
Total staff (full and part time)	326	324	307	289	302

The increase in net assets over the period reflects the government's investment in state public transport and support service assets, as well as the change in asset valuation to fair value.

Consolidated Entity

The Consolidated Entity reports a profit before the application of income tax and depreciation charges which then returns an overall accounting loss. The loss reported by the Consolidated Entity is a result of the inclusion of the Rolling Stock Holdings entity (an entity controlled by VicTrack), which is the owner of the state's rolling stock infrastructure assets. These assets are leased to the Director of Public Transport and subsequently sub-leased to rail operators and access providers. While these transactions normally result in an accounting loss being reported, the leasing arrangements do not impact on the Consolidated Entity's ability to produce a positive cash inflow from operating activities. The assets have been revalued at 30 June 2016.

The following table reflects the Consolidated Entity's financial performance over the past five years:

Financial summary Consolidated Entity	2016 $m	2015 $m	2014 $m	2013 $m	2012 $m
Total revenue	315.9	352.2	320.9	319.8	358.1
Total operating expenditure	(208.5)	(221.0)	(201.6)	(186.8)	(175.9)
Net profit/(loss) before income tax & depreciation	107.4	131.2	119.3	133.0	182.2
Depreciation charge	(739.1)	(642.6)	(596.9)	(504.1)	(519.2)
Net cash inflow from operating activities	110.3	125.6	129.1	107.6	151.2
Total assets	30,106.1	28,612.0	25,738.7	24,183.4	22,695.6
Total liabilities	(3,325.3)	(3,622.9)	(3,621.4)	(3,832.6)	(4,043.8)
Net assets	26,780.8	24,989.1	22,117.3	20,350.8	18,651.8
Total staff	326	324	307	289	302

The increase in net assets for the Consolidated Entity reflects the government's investment in state public transport and support service assets and new rolling stock for the public transport system, as well as the change in asset valuation to fair value.

Comprehensive operating statement

for the year ended 30 June 2016

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000	Parent 2016 $'000	Parent 2015 $'000
Continuing operations					
Income from transactions:					
Telecommunication services		53,282	54,946	53,282	54,946
Property related income		30,595	27,500	30,595	27,500
Services received free of charge		23,755	23,100	23,755	23,100
Government contributions towards capital and related work		124,065	154,590	423	22,749
Other income	2	84,175	92,100	53,861	63,193
Capital asset charge		1,734,103	1,582,200	1,734,103	1,582,200
Total income from transactions		**2,049,975**	**1,934,436**	**1,896,019**	**1,773,688**
Expenses from transactions:					
Employee benefits	3a	40,869	40,712	40,869	40,712
Depreciation and amortisation	3b	739,074	642,599	596,192	522,428
Finance costs		61,987	70,039	50	-
Capital asset charge		1,734,103	1,582,200	1,734,103	1,582,200
Supplies of services	3c	58,866	54,283	58,866	54,283
Other expenses from ordinary activities	3d	46,802	55,878	46,663	55,214
Total expenses from transactions		**2,681,701**	**2,445,711**	**2,476,743**	**2,254,837**
Net result from transactions (net operating balance)		**(631,726)**	**(511,275)**	**(580,724)**	**(481,149)**
Other economic flows included in net result:					
Net gain/(loss) on non-financial assets	3e	(46,409)	8,457	(46,409)	8,457
Other gains/(losses) from other economic flows	3e	654	(55)	654	(55)
Total other economic flows included in net result		**(45,755)**	**8,402**	**(45,755)**	**8,402**
Net result from continuing operations before tax		**(677,481)**	**(502,874)**	**(626,479)**	**(472,747)**
Tax equivalent expense	16a	203,034	150,882	187,733	141,844
Net result		**(474,447)**	**(351,992)**	**(438,746)**	**(330,903)**
Other economic flows – other comprehensive income					
Items that will not be reclassified to net results					
Changes in physical asset revaluation surplus	14	(15,871)	2,203,825	(15,871)	2,619,883
Income tax on physical asset revaluation surplus	16d	3,372	(251,380)	3,372	(376,198)
Total other economic flows – other comprehensive income		**(12,499)**	**1,952,445**	**(12,499)**	**2,243,685**
Comprehensive result		**(486,946)**	**1,600,453**	**(451,245)**	**1,912,782**

The comprehensive operating statement should be read in conjunction with the accompanying notes to the financial statements.

Balance sheet
as at 30 June 2016

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000	Parent 2016 $'000	Parent 2015 $'000
Assets					
Financial assets					
Cash and deposits	4	31,877	30,677	30,616	29,885
Other financial assets	5	100	100	-	-
Trade and other receivables	6	33,241	34,871	161,601	162,718
Total financial assets		**65,218**	**65,648**	**192,217**	**192,603**
Non-financial assets					
Prepayments		3,302	1,826	3,302	1,826
Property, infrastructure, plant and equipment	7(a)	29,971,821	28,476,967	29,614,228	25,284,824
Non-financial assets classified as held for sale	8	2,324	4,169	2,324	4,169
Intangible assets	9	63,417	63,417	-	-
Total non-financial assets		**30,040,864**	**28,546,379**	**26.619,854**	**25,290,819**
Total assets		**30,106,082**	**28,612,027**	**26,812,071**	**25,483,422**
Liabilities					
Trade and other payables	10	37,377	36,480	36,409	35,403
Provisions	11	21,430	21,817	21,430	21,817
Borrowings	12	661,579	753,221	1,921	1,749
Deferred tax liability	16	2,604,932	2,811,338	2,567,064	2,758,170
Total liabilities		**3,325,318**	**3,622,856**	**2,626,824**	**2,817,139**
Net assets		**26,780,764**	**24,989,171**	**24,185,247**	**22,666,283**
Equity					
Contributed capital	13	17,238,147	14,959,608	14,969,339	12,999,130
Physical asset revaluation surplus	14	10,763,073	10,775,572	10,405,544	10,418,043
Retained profits/(accumulated losses)		(1,220,456)	(746,009)	(1,189,636)	(750,890)
Net worth		**26,780,764**	**24,989,171**	**24,185,247**	**22,666,283**
Commitments for expenditure	18,19				
Contingent assets and contingent liabilities	21				

The balance sheet should be read in conjunction with the accompanying notes to the financial statements.

Statement of changes in equity

for the year ended 30 June 2016

Consolidated	Note	Contributed equity $'000	Physical asset revaluation surplus $'000	Retained profits/ (accumulated losses) $'000	Total equity $'000
2016					
Balance as 1 July 2015		14,959,608	10,775,572	(746,009)	24,989,171
Net result for the year		-	-	(474,447)	(474,447)
Other comprehensive income/(expense) for the year	14	-	(12,499)	-	(12,499)
Total comprehensive result for the year		**-**	**(12,499)**	**(474,447)**	**(486,946)**
Transactions with owners in their capacity as owners:					
Contributions by owners during the year	13	2,279,023	-	-	2,279,023
Capital returned during the year	13	(484)	-	-	(484)
Balance at 30 June 2016		**17,238,147**	**10,763,073**	**(1,220,456)**	**26,780,764**
2015					
Balance as 1 July 2014	13	13,688,167	8,823,127	(394,017)	22,117,277
Net result for the year		-	-	(351,992)	(351,992)
Other comprehensive income/(expense) for the year	14	-	1,952,445	-	1,952,445
Total comprehensive result for the year		**-**	**1,952,445**	**(351,992)**	**1,600,453**
Transactions with owners in their capacity as owners:					
Contributions by owners during the year	13	1,277,141	-	-	1,277,141
Capital returned during the year	13	(5,700)	-	-	(5,700)
Balance at 30 June 2015		**14,959,608**	**10,775,572**	**(746,009)**	**24,989,171**

The statement of changes in equity should be read in conjunction with the accompanying notes to the financial statements.

Statement of changes in equity

for the year ended 30 June 2016

Parent	Note	Contributed equity $'000	Physical asset revaluation surplus $'000	Retained profits/ (accumulated losses) $'000	Total equity $'000
2016					
Balance as 1 July 2015		12,999,130	10,418,043	(750,890)	22,666,283
Net result for the year		-	-	(438,746)	(438,746)
Other comprehensive income/(expense) for the year	14	-	(12,499)	-	(12,499)
Total comprehensive result for the year		**-**	**(12,499)**	**(438,746)**	**(451,245)**
Transactions with owners in their capacity as wners:					
Contributions by owners during the year	13	1,970,693	-	-	1,970,693
Capital returned during the year	13	(484)	-	-	(484)
Balance at 30 June 2016		**14,969,339**	**10,405,544**	**(1,189,636)**	**24,185,247**
2015					
Balance as 1 July 2014	13	11,956,023	8,174,358	(419,987)	19,710,394
Net result for the year		-	-	(330,903)	(330,903)
Other comprehensive income/(expense) for the year	14	-	2,243,685	-	2,243,685
Total comprehensive result for the year		**-**	**2,243,685**	**(330,903)**	**1,912,782**
Transactions with owners in their capacity as owners:					
Contributions by owners during the year	13	1,048,807	-	-	1,048,807
Capital returned during the year	13	(5,700)	-	-	(5,700)
Balance at 30 June 2015		**12,999,130**	**10,418,043**	**(750,890)**	**22,666,283**

The statement of changes in equity should be read in conjunction with the accompanying notes to the financial statements.

Cashflow statement

for the year ended 30 June 2016

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000	Parent 2016 $'000	Parent 2015 $'000
Cashflows from operating activities					
Receipts		306,794	340,960	123,174	156,694
Interest received		773	886	755	870
Receipts from the Victorian Government for:					
– capital assets charge (*)		1,734,103	1,582,200	1,734,103	1,582,200
– capital and related works (inclusive of GST) and termination payments		454	25,015	454	25,015
Total receipts		**2,042,124**	**1,949,060**	**1,858,486**	**1,764,779**
Payments					
Suppliers (inclusive of GST) and employees		(127,573)	(161,549)	(100,660)	(140,220)
Borrowing costs paid		(61,987)	(70,039)	(50)	(95)
Capital assets charge (*)		(1,734,103)	(1,582,200)	(1,734,103)	(1,582,200)
Goods and services tax paid to the ATO		(8,193)	(9,668)	(4,759)	(6,263)
Total payments		**(1,931,856)**	**(1,823,456)**	**(1,839,572)**	**(1,728,778)**
Net cashflows from/(used in) operating activities	**15(d)**	**110,268**	**125,604**	**18,914**	**36,001**
Cashflows from investing activities					
Proceeds from/(payments for):					
Payment for assets acquired using government capital contributions		(2,279,023)	(1,277,141)	(1,970,639)	(1,048,807)
Acquisition of property, plant & equipment		(12,508)	(50,633)	(12,508)	(50,633)
Sale of property, plant & equipment		(5,675)	8,457	(5,675)	8,457
Net cash from/(used in) investing activities		**(2,297,206)**	**(1,319,317)**	**(1,988,876)**	**(1,090,983)**
Cashflows from financing activities					
Proceeds/(payments for):					
Government capital contributions		2,279,023	1,277,141	1,970,693	1,048,807
Borrowings		(90,885)	(89,729)	-	-
Net cashflows from/(used in) financing activities		**2,188,138**	**1,187,412**	**1,970,693**	**1,048,807**
Net increase/(decrease) in cash held and cash equivalent		**1,200**	**(6,301)**	**731**	**(6,175)**
Cash and cash equivalent at the beginning of the financial year		**30,677**	**36,978**	**29,885**	**36,060**
Cash and cash equivalent at the end of the financial year		**31,877**	**30,677**	**30,616**	**29,885**

The cashflow statement should be read in conjunction with the accompanying notes to the financial statements.

(*) The receipt and payment of the capital assets charge does not represent physical movements of cash between the Consolidated Entity and the Victorian Government. In accordance with the provisions of the *Financial Management Act 1994*, the capital assets charge is considered a cash equivalent item and is therefore included in the cashflow statement.

Notes to the financial statements

30 June 2016

Note 1. Summary of significant accounting policies

These annual financial statements represent the audited general purpose financial statements for VicTrack and its Controlled Entities ("Consolidated Entity") for the period ended 30 June 2016. The purpose of the report is to provide users with information about the Consolidated Entity's stewardship of resources entrusted to it.

The nature of the operations and principal activities of the Consolidated Entity are described in the Directors' report.

(a) Statement of compliance

These general purpose financial statements have been prepared on a historical cost basis, unless otherwise stated in the notes to the financial statements, in accordance with the *Financial Management Act 1994*, Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board ("AASB"). Historical cost is based on the fair values of the consideration given in exchange for assets.

The entity is a not-for-profit entity for reporting purposes under Australian Accounting Standards and *FRD108B Classification of entities as for profit*.

The financial statements of the Consolidated Entity for the year ended 30 June 2016 were authorised for issue in accordance with a resolution of the Directors on the 15 September 2016.

The Consolidated Entity provides certain services free of charge or at prices significantly below their cost of production for the collective consumption by the community, which is incompatible with generating profit as a principal objective. Consequently, where appropriate, those paragraphs in Australian Accounting Standards relating to not-for-profit entities are applied.

Exceptions to the historical cost convention include:

- non-financial physical assets which, subsequent to acquisition, are measured at a revalued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair value;
- consistent with AASB 13 *Fair Value Measurement*, the Consolidated Entity determines the policies and procedures for both recurring fair value measurements such as property, plant and equipment, investment properties and financial instruments and for non-recurring fair value measurements such as non-financial physical assets held for sale, in accordance with the requirement of AASB 13 *Fair Value Measurement* and the relevant Financial Reporting Directions ("FRDs"). All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
  - Level 1 — quoted (unadjusted) market prices in active markets for identical assets or liabilities;
  - Level 2 — valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
  - Level 3 — valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, the Consolidated Entity has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability, and the level of the fair value hierarchy as explained above.

In addition, the Consolidated Entity has determined whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Valuer General Victoria ("VGV") is the Consolidated Entity's independent valuation agency.

The Consolidated Entity, in conjunction with VGV, monitors changes in the fair value of each asset and liability through relevant data sources to determine whether revaluation is required.

Note 1. Summary of significant accounting policies (cont.)

(b) Basis of accounting preparation and measurement

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

The following significant accounting policies have been applied in preparing the financial statements for the year ended 30 June 2016 and the comparative information presented for the year ended 30 June 2015.

(i) Significant accounting estimates and judgements

The following significant judgements and estimates have been made by management in the preparation of the financial statements:

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(ii) Land valuation

The Consolidated Entity recognises two major classes of land – rail corridor land and non-rail corridor land. Non-rail corridor land is used for commercial purposes whilst rail corridor land is used as a rail reserve.

Rail corridor land is based on the assessed market value of the land and is discounted by 75% in accordance with the VGV's Community Service Obligations. The basis of the valuation of non-rail corridor land is market value, with adjustments being made, where appropriate, for variations in the size and quality of each land parcel.

Estimated cost of environmental contamination remediation is included in the value of the land (where it is expected to enhance the value of the land by providing future economic benefits) and a corresponding liability or provision is recognised when the obligation for remediation arises and can be reliably estimated.

(iii) Non-financial physical assets

In addition to land, all non-financial physical assets are recognised initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment in accordance with the requirements of *FRD 103F Non-Financial Physical Assets reporting.* The fair value is determined on the basis of depreciated replacement cost. The impairment analysis on non-financial physical assets has been carried out annually since with no impairment noted.

The last independent valuation of non-financial physical assets was at 30 June 2015 by the VGV.

Where the assets are revalued, the revaluation increments are credited directly to the asset revaluation surplus net of income tax effect, except to the extent that an increment reverses a prior year decrement for that class of asset that had been recognised as an expense in which case the increment is recognised in profit and loss up to the amount of the expense. Revaluation decrements are recognised as an expense except where prior increments are included in the asset revaluation surplus for that class of asset in which case the decrement is taken to the reserve to the extent of the remaining increments.

(iv) Estimation of useful lives

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment) and lease terms (for leased equipment). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

As part of the prior year revaluation the estimated total useful lives of certain items of rolling stock were reassessed. The net financial effect of this reassessment in the current financial year was an increase in depreciation expense of $22 million for the Consolidated Entity.

(v) Operating lease commitments – Consolidated Entity as lessor

The Consolidated Entity has entered into leases for use of its rolling stock. The Consolidated Entity has determined that it retains substantially all the significant risks and rewards of ownership of the rolling stock primarily as the lease does not transfer ownership of the asset to the lessee at the end of the lease term. Thus the Consolidated Entity has classified the leases as operating leases.

(vi) Finance lease commitments – Consolidated Entity as lessee

The Consolidated Entity has entered into leases for the acquisition of its rolling stock and determined that as substantially all the risks and benefits transfer to the Consolidated Entity, the leases are finance leases. The control of the leases is effected through the rolling stock head lease agreement between VicTrack and PTV, with risks and rewards incidental to ownership residing with VicTrack.

(vii) Recovery of deferred tax assets

Deferred tax assets with respect to deductible temporary differences and tax losses have been recognised in the balance sheet to the extent of offsetting deferred tax liabilities recognised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over the next two years together with future tax planning strategies.

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

(c) Reporting entity

The Consolidated Entity is a public statutory body established under section 8 of the *Rail Management Act 1996* and continued in existence under section 116 of the *Transport Integration Act 2010 (Vic).*

The principal address is: Level 8, 1010 La Trobe Street, Docklands Victoria 3008.

(d) Scope and presentation of financial statements

(i) Comprehensive operating statement

The comprehensive operating statement comprises three components, being 'net result from transactions' (or termed as 'net operating balance'), 'other economic flows included in net result', as well as 'other economic flows – other comprehensive income'. The sum of the former two, together with the net result from discontinued operations, represents the net result. The net result is equivalent to profit or loss derived in accordance with Australian Accounting Standards.

'Other economic flows' are changes arising from market remeasurements. They include:

- gains and losses from disposals of non-financial assets;
- remeasurement of provisions; and
- revaluations and impairments of non-financial physical, and intangible assets.

This classification is consistent with the whole of government reporting format and is allowed under AASB 101 *Presentation of Financial Statements.*

(ii) Balance sheet

Assets and liabilities are presented in liquidity order with assets aggregated into, financial assets and non-financial assets.

Current and non-current assets and liabilities are disclosed in the notes, where relevant. In general, non-current assets or liabilities are expected to be recovered or settled more than 12 months after the reporting period, except for the provisions of employee benefits, which are classified as current liabilities if the department does not have the unconditional right to defer the settlement of the liabilities within 12 months after the end of the reporting period.

(iii) Statement of changes in equity

The statement of changes in equity presents reconciliations of each non-owner and owner equity opening balance at the beginning of the reporting period to the closing balance at the end of the reporting period. It also shows separately changes due to amounts recognised in the comprehensive result and amounts recognised in other comprehensive income related to other non-owner changes in equity.

(iv) Cashflow statement

Cashflows are classified according to whether or not they arise from operating activities, investing activities, or financing activities. This classification is consistent with requirements under AASB 107 *Statement of Cash Flows.*

Note 1. Summary of significant accounting policies (cont.)

(v) New and amended standards adopted by the Consolidated Entity

The following accounting pronouncements effective from the 2015-16 reporting period are considered to have insignificant impacts on public sector reporting:

- AASB 1048 *Interpretation of Standards*;
- AASB 2013 9 *Amendments to Australian Accounting Standards* [Part C Financial Instruments];
- AASB 2014 8 *Amendments to Australian Accounting Standards arising from AASB 9 – Application of AASB 9 (December 2009) and AASB 9 (December 2010)* [AASB 9 (2009 & 2010)];
- AASB 2015 3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality*; and
- AASB 2015 4 *Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent* [AASB 127 & AASB 128].

Note: Amending standard AASB 2015 7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not for Profit Public Sector Entities*, which is operative from 1 July 2016 provides an exemption for not-for-profit public sector entities from certain fair value disclosures. Please note that the state early adopted AASB 2015 7 in the 2014-15 reporting period and gave not-for-profit entities the option to early adopt this amending standard last year. As a result, all not for profit entities must now comply with this amending standard for the current financial year.

(e) Basis of consolidation

In accordance with AASB 10 *Consolidated Financial Statements* the consolidated financial statements of the Consolidated Entity incorporates assets and liabilities of all reporting entities controlled by the Consolidated Entity as at 30 June 2016, and their income and expenses for that part of the reporting period in which control existed.

Where control of an entity is obtained during the financial period, its results are included in the comprehensive operating statement from the date on which control commenced. Where control ceases during a financial period, the entity's results are included for that part of the period in which control existed. Where dissimilar accounting policies are adopted by entities and their effect is considered material, adjustments are made to ensure consistent policies are adopted in these financial statements. In the process of preparing consolidated financial statements for the Consolidated Entity, all material transactions and balances between consolidated entities are eliminated. Entities consolidated into the Parent Entity are listed in Note 20, Investments.

(i) Controlled Entities

The Parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Where control of an entity is obtained during a financial year, its results are included in the consolidated comprehensive operating statement from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control existed.

Investments in Controlled Entities are accounted for at cost in the separate financial statements of the Parent Entity.

(ii) Transactions eliminated on consolidation

Intercompany transactions, balances and unrealised gains between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the assets transferred.

(f) Income from transactions

Income is measured at the fair value of the consideration received or receivable. Income is disclosed, where applicable, net of returns, allowances, duties and taxes.

The Consolidated Entity recognises income when the amount of income can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Consolidated Entity's activities as described below. The Consolidated Entity bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Income is recognised for the major business activities as follows:

(i) Rendering of services

Income from telecommunications services, property services, advertising, infrastructure management and lease of the interstate rail corridors is recognised when services are provided by the Consolidated Entity.

(ii) Leasehold improvements

Leasehold improvements/renewals undertaken by lessees/sub-lessees and assets provided by other parties are recognised as works are performed on the assets/improvements based on confirmations received from the other parties.

(iii) Government contributions

Government contributions towards capital and related costs are recognised when the Consolidated Entity gains control of the underlying assets.

(iv) Interest income

Interest income includes unwinding over time of discounts on financial assets and interest received on bank term deposits and other investments.

Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(v) Fair value of assets received free of charge or for nominal consideration

Assets received free of charge is recognised at its fair value at the time of acquisition, irrespective of whether these contributions are subject to restrictions or conditions over their use.

(g) Expenses from transactions

Expenses are recognised as they are incurred and reported in the financial year to which they relate.

(i) Employee expenses

Refer to section 1(l)(iii) regarding employee benefits.

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

(ii) Superannuation

The amount charged to the comprehensive operating statement in respect of superannuation represents the employers' contributions made by the Consolidated Entity to superannuation funds of which employees are members. Further details are provided in Note 17, employee superannuation funds.

(iii) Depreciation and amortisation

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets (excluding items under operating leases, assets held for sale, land and investment properties) that have finite useful lives are depreciated. Depreciation is generally calculated on a straight-line basis, at rates that allocate the asset's fair value, less any estimated residual value, over its estimated useful life. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate. The range of depreciation rates used for each class of asset is as follows:

Asset class	Depreciation rates	Useful life
Buildings and structures	1.0% to 2.5%	100 to 40 years
Track	1.0% to 2.0%	100 to 50 years
Signals and communications	3.0% to 3.3%	33 to 30 years
Plant and equipment	2.5% to 10%	40 to 10 years
Software and licences	3.0% to 14%	33 to 7 years
Rolling stock	2.5% to 3.3%	40 to 30 years

Land is considered to have indefinite life and is not depreciated.

Intangible produced assets with finite useful lives are depreciated as an expense from transactions on a systematic (typically straight-line) basis over the asset's useful life. Depreciation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. On the other hand, the consumption of intangible non-produced assets with finite useful lives is not classified as a transaction, but as amortisation. Consequently, the amortisation is included as an other economic flow in the net result. Intangible assets with indefinite useful lives are not depreciated or amortised, but are tested annually for impairment.

Other than the reassessment of certain items of rolling stock, the above rates are the same as those applied in the previous financial year.

(iv) Finance cost – interest expense

Interest expenses are recognised as expenses in the period in which they are incurred.

(v) Finance cost – borrowing costs

Borrowing costs represent interest incurred on loans taken out primarily for the purpose of acquiring new passenger rolling stock. Borrowing costs also includes the amortisation of discounts or premiums relating to these borrowings and interest charges on finance leases.

In accordance with the paragraphs of AASB 123 *Borrowing Costs* applicable to not-for-profit public sector entities, the Consolidated Entity continues to recognise borrowing costs immediately as an expense, to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset.

Note 1. Summary of significant accounting policies (cont.)

(vi) Supplies and services

Supplies and services expenses are recognised as an expense in the reporting period in which they are incurred.

(vii) Other operating expenses

Other operating expenses generally represent the day to day running costs incurred in normal operations and also includes customer construction expense.

(viii) Capital assets charge

The capital assets charge is the estimate of the cost of capital investment in government assets i.e. the return that could be achieved were the government to direct its capital towards the next best investment of comparable risk. It is imposed on the Consolidated Entity by the Victorian Government's Department of Treasury and Finance ("DTF").

The purpose of this notional charge is to increase the awareness of the costs of assets for management to make improved resource allocation and investment decisions.

The capital assets charge is shown as both a revenue and an expense from ordinary activities in the comprehensive operating statement, meaning that there is no impact on the operating result for the year, nor on the balance sheet as at 30 June 2016.

Although the receipt and payment of the capital assets charge does not represent physical movements of cash, the capital assets charge has been disclosed in the cashflow statement as it is considered a cash equivalent item under the provisions of the *Financial Management Act 1994*.

(ix) Other economic flows included in the net result

Other economic flows are changes in the volume or value an asset or liability that does not result from transactions.

Net gain/(loss) on non-financial assets
Net gain/(loss) on non-financial assets and liabilities includes realised and unrealised gains and losses as follows:

- any gain or loss on the disposal of non-financial assets is recognised at the date of disposal and is determined after deducting the proceeds from the carrying value of the asset at the time; and
- impairment on non-financial assets as described in note 1(i).

Amortisation of non-produced intangible assets
Intangible non-produced assets with finite lives are amortised as another economic flow on a systematic (typically straight line) basis over the asset's useful life. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Other gains/(losses) from other economic flows
Other gains/(losses) from other economic flows include the gains or losses from:

- the revaluation of the present value of the long service leave liability due to changes in the bond interest rates or other assumptions.

(h) National Tax Equivalent Regime (NTER)

By direction of the Treasurer of Victoria under the *State Owned Enterprises Act 1992*, the Consolidated Entity is subject to the NTER in 2015-16, but limited to the income tax component of the NTER.

(i) Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

(ii) Deferred tax

Deferred income tax is provided on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

(i) Impairment of non-financial assets

Goodwill and intangible assets with indefinite useful lives (and intangible assets not yet available for use) are tested annually for impairment and whenever there is an indication that the asset may be impaired. All other assets are assessed annually for indications of impairment, except for assets arising from construction contracts.

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 as another economic flow, except to the extent that the write down can be debited to an asset revaluation surplus amount applicable to that class of asset.

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

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

Refer to Note 1(k) in relation to the recognition and measurement of non-financial assets.

(j) Financial instruments

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the Consolidated Entity's activities, certain financial assets and financial liabilities arise under statute rather than a contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*. For example, statutory receivables arising from taxes, fines and penalties do not meet the definition of financial instruments as they do not arise under contract.

Where relevant, for note disclosure purposes, a distinction is made between those financial assets and financial liabilities that meet the definition of financial instruments in accordance with AASB 132 *Financial Instruments: Presentation* and those that do not.

(i) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on the trade date i.e. the date that the Consolidated Entity commits to the asset.

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cashflows from the asset have expired; or
- the Consolidated Entity retains the right to receive cashflows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Consolidated Entity has transferred its rights to receive cashflows from the asset and either:
  - has transferred substantially all the risks and rewards of the asset; or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Consolidated Entity has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the Consolidated Entity's continuing involvement in the asset.

Note 1. Summary of significant accounting policies (cont.)

(ii) Cash and deposits

Cash and deposits recognised on the balance sheet comprise of cash at bank and term deposits with maturity greater than three months are recorded at cost less impairment. The term deposits represent a rolling 90 days fixed term investment with Treasury Corporation of Victoria ("TCV"). These investments are earmarked for use on future infrastructure improvement projects.

(iii) Other financial assets

Other financial assets are deposits restricted to payments of interest on borrowings and payments to suppliers in relation to the construction of new rolling stock.

(iv) Loan and receivables

Loans and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

The collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off. An allowance account (provision for impairment of receivables) is used when some doubt as to collection exists. The amount of the impairment loss is recognised in profit or loss with other expenses. When a receivable for which an impairment allowance has been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(v) Financial liabilities at amortised cost

Financial instrument liabilities are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest bearing liability, using the effective interest rate method (refer to Note 25, Financial risk management).

Financial instrument liabilities measured at amortised cost include all of the departments contractual payables, deposits held and advances received, and interest bearing arrangements other than those designated at fair value through profit or loss.

(vi) Offsetting financial instruments

Financial instrument assets and liabilities are offset and the net amount presented in the consolidated balance sheet when, and only when, the department concerned has a legal right to offset the amounts and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Some master netting arrangements do not result in an offset of balance sheet assets and liabilities. Where the department does not have a legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as default, insolvency or bankruptcy, they are reported on a gross basis.

(vii) Reclassification of financial instruments

Subsequent to initial recognition and under rare circumstances, non-derivative financial instruments assets that have not been designated at fair value through profit or loss upon recognition, may be reclassified out of the fair value through profit or loss category, if they are no longer held for the purpose of selling or repurchasing in the near term.

(k) Non-financial assets

(i) Prepayments

Prepayments represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

(ii) Property, infrastructure, plant and equipment

Non-financial physical assets are measured at fair value on a cyclical basis, in accordance with the FRDs issued by the Minister for Finance. A full revaluation normally occurs every five years, based upon the asset's government purpose classification but may occur more frequently if fair value assessments indicate material changes in values. Independent valuers are generally used to conduct these scheduled revaluations. Certain infrastructure assets are revalued using specialised advisors. Any interim revaluations are determined in accordance with the requirements of the FRDs. Revaluation increases or decreases arise from differences between an asset's carrying value and fair value.

Net revaluation increases (where the carrying amount of a class of assets is increased as a result of a revaluation) are recognised in 'other economic flows – other comprehensive income', and accumulated in equity under the asset revaluation surplus. However, the net revaluation increase is recognised in the net result to the extent that it reverses a net revaluation decrease in respect of the same class of property, plant and equipment previously recognised as an expense (other economic flows) in the net result.

Net revaluation decrease is recognised in 'other economic flows – other comprehensive income' to the extent that a credit balance exists in the asset revaluation surplus in respect of the same class of property, plant and equipment. Otherwise, the net revaluation decreases are recognised immediately as other economic flows in the net result. The net revaluation decrease recognised in 'other economic flows – other comprehensive income' reduces the amount accumulated in equity under the asset revaluation surplus.

Revaluation increases and decreases relating to individual assets in a class of property, plant and equipment, are offset against one another in that class but are not offset in respect of assets in different classes. The asset revaluation surplus is not transferred to accumulated funds on derecognition of the relevant asset.

Rail infrastructure

All rail infrastructure assets owned by the Consolidated Entity when it commenced operations were transferred from the previous owners, the Public Transport Corporation and the V/Line Freight Corporation, by way of statutory allocation under the *Rail Corporations Act 1996*, effective from 1 July 1997. The allocation statement (as amended) included the carrying value for the rail infrastructure assets to be adopted by the Consolidated Entity

There have been a number of subsequent allocation statements since the commencement of operations, having the effect of transferring ownership both to and from the Consolidated Entity. These allocation statements also included the carrying value of the rail infrastructure assets adopted by the Consolidated Entity at the time of transfer.

The initial allocation statement (and amendment) and subsequent allocation statements were ratified by the relevant Minister under Section 40 of the *Rail Corporations Act 1996* and, as such, the values ascribed to the rail infrastructure assets, apart from land, have been adopted by the directors of the Consolidated Entity as the appropriate cost for reporting purposes.

Rail Infrastructure assets are recognised initially at cost plus incidental costs attributable to the acquisition and subsequently revalued to fair value less accumulated depreciation and impairment in accordance with the requirements of *FRD103F: Non-Current Physical Assets*. The impairment analysis on the rail infrastructure has been carried out annually since with no impairment noted.

The last independent valuation of rail infrastructure assets was at 30 June 2015.

Plant and equipment

Plant and equipment, which include rolling stock, are recognised initially at cost plus incidental costs attributable to the acquisition and subsequently revalued to fair value less accumulated depreciation and impairment in accordance with the requirements of *FRD103F: Non-Current Physical Assets*.

Intangible assets – software and licences

Intangible assets represent identifiable non-monetary assets without physical substance and are initially recognised at cost. Subsequently intangible assets with finite useful lives are carried at cost less accumulated depreciation/amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of the each annual reporting period. In addition, an assessment is made at each reporting date to determine whether there are indications that the intangible assets concerned is impaired.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;

(b) an intention to complete the intangible asset and use or sell it;

(c) the ability to use or sell the intangible asset;

(d) the intangible asset will generate probable future economic benefits;

(e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

(f) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Note 1. Summary of significant accounting policies (cont.)

(iii) Land

The Consolidated Entity recognises two major classes of land – rail corridor land and non-rail corridor land. Non-rail corridor land is used for commercial purposes whilst rail corridor land is used as a rail reserve.

Non-financial physical assets such as Crown land and heritage assets are measured at fair value with regard to the property's highest and best use after due consideration is made for any legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset. Theoretical opportunities that may be available in relation to the asset are not taken into account until it is virtually certain that the restrictions will no longer apply. Therefore, unless otherwise disclosed, the current use of these non-financial physical assets will be their highest and best use.

The basis of the valuation of non-rail corridor land is market value, with adjustments being made, where appropriate, for variations in the size and quality of each land parcel

Rail corridor land is based on the assessed market value of the land (effectively the value of the land were it to be sold to adjoining land owners) with discounts being applied to reflect costs that would be incurred in selling the land i.e. subdivisional, legal, etc.

The last independent valuation of land was at 30 June 2015.

(iv) Lease of infrastructure assets

The Consolidated Entity leases the majority of its rail infrastructure assets to the Public Transport of Victoria (PTV) for the purposes of conducting passenger and freight train and tram operations. PTV then sub-leases the assets to various transport operators and track access providers. Under the leases, responsibility for conducting transport operations and maintaining the infrastructure assets is effectively transferred to the lessees/sub-lessees. The Consolidated Entity reserves the exclusive right to engage in non-transport activities on its assets and specifically excludes trunk telecommunications infrastructure from the leases.

(v) Leasehold improvements

Infrastructure improvements undertaken by lessees/sub-lessees have been recorded as assets of the Consolidated Entity in accordance with a direction from DTF. These leasehold improvements have been recognised at cost.

In the prior year, transfers of net assets arising from administrative restructures and/or from all other arrangements which are deemed to be contributions by owners, where there is insufficient contributed capital for distribution are recognised as an expense by the transferor and income by the transferee in accordance with *FRD119A: Transfers through Contributed Capital*. Alternatively if the transferor has approval to reclassify sufficient accumulated funds to contributed capital prior to or at the time of the asset transfer date then a distribution from contributed capital can occur.

(vi) Rolling stock

The Consolidated Entity owns the majority of the existing suburban rolling stock fleet (trains and trams) that were transferred as assets received free of charge in April 2004 at a fair value of $448.2 million. This value was adopted as the deemed cost of the assets. The fair value was determined on the basis of depreciated replacement cost.

The Consolidated Entity's works in progress includes rail infrastructure and rolling stock projects underway, but not yet complete or ready for service. The incomplete rail infrastructure projects are recorded at cost. The recorded value of rolling stock works in progress includes payments made to the manufacturer. Borrowing costs incurred to finance the construction of new rolling stock are expensed as they are incurred.

(vii) Intangible assets

Goodwill

Where an entity or operation is acquired, the net identifiable assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired is brought to account as goodwill. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. As at 30 June 2016, there was no impairment of the goodwill relating to the purchase of Rolling Stock (Victoria-VL) Pty Ltd. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to the cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Goodwill is allocated to the Consolidated Entity's leasing business. The recoverable amount of the cash generating unit is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cashflow projections over a 10-year period with the period extending beyond five years extrapolated using an estimated growth rate. The cashflows are discounted using the yield of a 10-year government bond at the beginning of the budget period. Management has based the value-in-use calculations on budgets for each operating segment. These budgets use historical weighted average growth rates to project revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the period, which are consistent with inflation rates applicable to the locations in which the segments operate. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular division.

There was no addition, impairment and amortisation incurred during the current and prior year for goodwill.

Software and licences

Intangible assets represent identifiable non-monetary assets without physical substance and are initially recognised at cost. Subsequently intangible assets with finite useful lives are carried at cost less accumulated depreciation/amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each annual reporting period. In addition, an assessment is made at each reporting date to determine whether there are indications that the intangible assets concerned is impaired.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;

(b) an intention to complete the intangible asset and use or sell it;

(c) the ability to use or sell the intangible asset;

(d) the intangible asset will generate probable future economic benefits;

(e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

(f) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

(l) Liabilities

(i) Trade and other payables

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year which are unpaid at the end of the reporting period. Payables are initially measured at fair value, being the cost of the goods and services, and then subsequently measured at amortised cost. The amounts are unsecured and are usually paid within 45 days of recognition.

(ii) Borrowings

Secured loans are carried on the balance sheet at their fair value at the time the loan was taken out or acquired, net of fair value unwinds. Interest is accrued over the period it becomes due and is recorded as part of trade and other payables at year end.

The finance lease liability is determined in accordance with the requirements of AASB 117 *Leases*.

The premium that arose on the secured loans as a result of being recorded at their fair value is being amortised over the repayment period of the secured loans.

Note 1. Summary of significant accounting policies (cont.)

(iii) Employee benefits – wages, salaries and annual leave

Provision is made for benefits accruing to employees in respect for wages and salaries, annual leave and long service for services provided during the reporting period.

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave, are all recognised in the provision for employee benefits as current liabilities, because the Consolidated Entity does not have an unconditional right to defer settlements of these liabilities.

Depending on the expectation of the timing of settlement, liabilities for wages and salaries, annual leave and sick leave are measured at:

- nominal value – if the Consolidated Entity expects to wholly settle within 12 months; or
- present value – if the Consolidated Entity does not expect to wholly settle within 12 months.

(iv) Employee benefits – long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits.

Unconditional LSL is disclosed in the notes to the financial statements as a current liability, even where the Consolidated Entity does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- nominal value - if the Consolidated Entity expects to wholly settle within 12 months; and
- present value - if the Consolidated Entity does not expect to wholly settle within 12 months.

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

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised in the 'net result from transactions', except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised in the net result as another economic flow.

(v) On-costs on employee benefits

On-costs on employee benefits, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(vi) Employee benefits - termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Consolidated Entity recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(vii) Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows, using discount rate that reflects the time value of money and risks specific to the provision.

Consolidated Entity land and other assets may be subject to varying degrees of contamination. Estimated costs of environmental assessments and restoration of assets are recognised as liabilities when the obligation is identified and costs can be reliably estimated. Ongoing environmental assessments and restoration costs are progressively charged as expenses from ordinary activities when incurred. Environmental assessments, management and restoration costs for which an obligation will possibly arise in the future or which cannot be reliably measured are disclosed as contingent liabilities.

(m) Leases

A lease is a right to use an asset for an agreed period of time in exchange for payment. Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement, so as to reflect the risks and benefits incidental to ownership. Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset are transferred to the Consolidated Entity are classified as finance leases. All other leases are classified as operating leases.

Finance lease

Consolidated Entity as lessee

Assets under finance leases are initially recognised at their fair value or, if lower, the present value of the minimum lease payments, each determined at inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are allocated between the reduction of the lease liability and the finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income in accordance with the Consolidated Entity's general policy on borrowing costs. Refer to note 1g(v).

Leased assets are depreciated on a straight-line basis over their estimated useful lives, where it is likely the Consolidated Entity will obtain ownership of the asset, or over the term of the lease

Operating lease – Consolidated Entity as lessor

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

Lease income from operating leases where the Consolidated Entity is the lessor is recognised on a straight-line basis over the term of the relevant lease. The respective leased assets are included in the balance sheet on their nature.

(n) Goods and services tax (GST)

Income, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the ATO. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cashflows are included in the cashflow statement on a gross basis. The GST components of cashflows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cashflows.

Commitments and contingencies are disclosed inclusive of GST recoverable from, or payable to, the ATO

(o) Contributed capital

The Consolidated Entity's contributed capital comprises the value (at the date of transfer) of the majority of the state's rail and tram fixed infrastructure as well as leasehold improvements undertaken by lessees/sub-lessees.

Transfers of net assets arising from administrative restructures and/or from all other arrangements which are deemed to be contributions by owners, where there is insufficient contributed capital for distribution, are recognised as an expense by the transferor and income by the transferee in accordance *FRD119A: Transfers through Contributed Capital*. Alternatively, if the transferor has approval to reclassify sufficient accumulated funds to contributed capital prior to or at the time of the asset transfer date then a distribution from contributed capital can occur.

(p) Commitments

Commitments include operating and capital expenditure arising from non-cancellable contractual sources and disclosed at their nominal value and inclusive of the GST payable.

(q) Dividends

Section 36 of the *Rail Corporations Act 1996*, provides for a rail corporation to pay to the state amounts as directed by the Treasurer of Victoria after consultation with the Board of the Consolidated Entity and the Minister.

No determination was received from the Treasurer requiring the Consolidated Entity to make a dividend payment in respect of the financial year ending 30 June 2016 (30 June 2015: Nil).

(r) Rounding

All amounts shown in the financial statements are expressed by reference to the nearest thousand dollars unless otherwise specified.

Note 1. Summary of significant accounting policies (cont.)

(s) Functional and presentation currency

The consolidated financial statements are denominated in Australian dollars, which is the functional and presentation currency of the Consolidated Entity.

(t) Going concern

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business operations and the realisation of assets and settlement of liabilities in accordance with the normal course of business. The ability of the Consolidated Entity to continue paying its debts as and when they fall due is dependent on existing contractual arrangements for the provision of services to customers, acquisition of new rolling stock and payments to financiers with respect to rolling stock previously acquired under lease or finance, continuing to operate as originally intended. In respect of rolling stock previously acquired under lease or finance, the arrangements whereby PTV makes all payments to the lessors or financiers on behalf of the Consolidated Entity is confirmed by the Letter of Support provided by the Department of Economic Development, Jobs, Transport and Resources ("DEDJTR") dated 9 August 2016 covering the period until 30 September 2017.

On the basis of the above factors, the Directors are of the opinion that the Consolidated Entity are going concerns and can pay their debts as and when they fall due.

(u) Events after the reporting period

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between the Consolidated Entity and other parties, the transactions are only recognised when the agreement is irrevocable at or before the end of the reporting period. Adjustments are made to amounts recognised in the financial statements for events which occur between the end of the reporting period and the date when the financial statements are authorised for issue, where those events provide information about conditions which existed at the reporting date. Note disclosure is made about events between the end of the reporting period and the date the financial statements are authorised for issue where the events relate to conditions which arose after the end of the reporting period that are considered to be of material interest.

No events have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

(v) Contingent liabilities

Contingent liabilities are not recognised in the balance sheet, but are disclosed at Note 21, Contingent liabilities and, if quantifiable, are measured at nominal value. Contingent liabilities are presented inclusive of GST receivable or payable respectively.

(w) New accounting standards and interpretations

Australian Accounting Standards and Interpretations applicable to the Consolidated Entity that have recently been issued or amended but are not yet effective, have not been early adopted by the Consolidated Entity for the annual reporting period ended 30 June 2016. These are outlined in the table below:

Topic	Key requirements	Effective date	Impact
AASB 9 *Financial Instruments*	The key changes introduced by AASB 9 include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 January 2018	No significant impact on entity reporting.
AASB 15 *Revenue from Contracts with Customers*	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. Note that amending standard AASB 2015 8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15* has deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2018, instead of 1 January 2017.	1 January 2018	No significant impact on entity reporting.
AASB 16 *Leases*	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.	1 January 2019	No significant impact on entity reporting.
AASB 2010 7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* *[AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]*	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: • the change in fair value attributable to changes in credit risk is presented in other comprehensive income (OCI); and • other fair value changes are presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	1 January 2018	No significant impact on entity reporting.
AASB 2014 1 *Amendments to Australian Accounting Standards* *[Part E Financial Instruments]*	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018; as a consequence of Chapter 6; and to amend reduced disclosure requirements.	1 January 2018	No significant impact on entity reporting.

Note 1. Summary of significant accounting policies (cont.)

(w) New accounting standards and interpretations (cont.)

Topic	Key requirements	Effective date	Impact
AASB 2014 4 *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation* *[AASB 116 & AASB 138]*	AASB 2014 4 amends AASB 116 and AASB 138 to: • establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset; • clarify that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset; and • clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of "the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	1 January 2016	No significant impact on entity reporting.
AASB 2014 5 *Amendments to Australian Accounting Standards arising from AASB 15*	Amends the measurement of trade receivables and the recognition of dividends.	1 January 2017, except amendments to AASB 9 (December 2009) and AASB 9 (December 2010) apply 1 January 2018.	No significant impact on entity reporting.
AASB 2014 7 *Amendments to Australian Accounting Standards arising from AASB 9*	Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9.	1 January 2018	No significant impact on entity reporting.
AASB 2014 9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements* *[AASB 1, 127 & 128]*	Amends AASB 127 to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. In particular, dividends from a subsidiary, a joint venture or an associate are recognised in profit or loss in the separate financial statements of an entity when the entity's right to receive the dividend is established. The dividend is recognised in profit or loss unless the entity elects to use the equity method, in which case the dividend is recognised as a reduction from the carrying amount of the investment.	1 January 2016	No significant impact on entity reporting.

Topic	Key requirements	Effective date	Impact
AASB 2014 10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *[AASB 10 & AASB 128]*	Amends AASB 10 and AASB 128 to ensure consistent treatment in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that: • a full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not); and • a partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.	1 January 2016	No significant impact on entity reporting.
AASB 2015 1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle* *[AASB 1, AASB 2, AASB 3, AASB 5, AASB 7, AASB 11, AASB 110, AASB 119, AASB 121, AASB 133, AASB 134, AASB 137 & AASB 140]*	Amends the methods of disposal in AASB 5 *Non-current assets held for sale and discontinued operations.* Amends AASB 7 *Financial Instruments* by including further guidance on servicing contracts.	1 January 2016	No significant impact on entity reporting.
AASB 2015 6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not for Profit Public Sector Entities* *[AASB 10, AASB 124 & AASB 1049]*	AASB 2015 6 extends the scope of AASB 124 *Related Party Disclosures* to not for profit public sector entities. Guidance has been included to assist the application of the standard by not for profit public sector entities.	1 January 2016	No significant impact on entity reporting.

Note 2. Income from transactions

	Consolidated		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Interest received	774	886	755	870
Rolling stock lease income	29,225	29,225	-	-
Infrastructure management revenue	43,239	51,151	43,239	51,151
Other	10,938	10,838	9,866	11,172
Total other income	**84,175**	**92,100**	**53,861**	**63,193**

Note 3. Expenses from transactions

	Consolidated		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
(a) Employee benefits				
Salaries and wages, annual leave and long service leave	32,729	31,229	32,729	31,229
Associated labour on-costs	2,628	2,606	2,628	2,606
Increase in provision for employee entitlements	1,305	2,817	1,305	2,817
Post employment benefits				
Superannuation contributions	3,782	3,609	3,782	3,609
Termination payments	425	451	425	451
Total employee benefits	**40,869**	**40,712**	**40,869**	**40,712**
(b) Depreciation and amortisation				
Buildings and structures	138,004	117,390	138,004	117,390
Track	176,048	120,791	176,048	120,791
Signals and communications	193,116	196,798	193,116	196,798
Plant and equipment	207,606	177,624	64,725	57,453
Intangibles software and licences	24,300	29,996	24,300	29,996
Total depreciation and amortisation	**739,074**	**642,599**	**596,192**	**522,428**
(c) Supplies and services				
Property services (including land tax)	9,033	8,704	9,033	8,704
Telecommunications expenses	12,533	11,826	12,533	11,826
Contract and other payments	37,300	33,753	37,300	33,753
Total supplies and services	**58,866**	**54,283**	**58,866**	**54,283**

(d) Other operating expenses

	Consolidated		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Bad debts	132	293	132	293
Insurance premiums	439	465	439	465
Legal fees	286	541	286	541
Occupancy costs	1,961	1,823	1,961	1,823
Customer construction expense	36,853	46,079	36,853	46,079
Other expenses	7,131	6,677	6,992	6,013
Total other operating expenses	**46,802**	**55,878**	**46,663**	**55,214**

(e) Other economic flows included in net result

	Consolidated 2016 $'000	Consolidated 2015 $'000	Parent 2016 $'000	Parent 2015 $'000
Net gain/(loss) on non-financial assets				
Impairment of property, plant and equipment	(52,084)	-	(52,084)	-
Net gain on disposal or property, plant and equipment	5,675	8,457	5,675	8,457
Total net gain/(loss) on non-financial assets	**(46,409)**	**8,457**	**(46,409)**	**8,457**
Other gains/(losses) from other economic flows				
Other gains/(losses) from revaluation of long service liability	720	(50)	720	(50)
Increase/(decrease) in provision for doubtful debts	(66)	(5)	(66)	(5)
Total other gains/(losses) from other economic flows	**654**	**(55)**	**654**	**(55)**
Total gain/(loss) on non-financial assets	**(45,755)**	**8,402**	**(45,755)**	**8,402**

Note 4. Cash and deposits

	Consolidated		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
General fund	6,730	9,399	5,469	9,326
Investments Treasury Corporation of Victoria	25,147	21,278	25,147	20,559
	31,877	**30,677**	**30,616**	**29,885**

General fund account and investments in TCV are carried at cost. These funds are ear marked for use on future infrastructure improvement projects. Cash in the general fund account is interest bearing equivalent to the 11.00am cash rate less a fixed premium agreed by the Consolidated Entity and the bank 0.82% (2015: 1.28%). Investment with TCV bears interest at 2.25% (2015: 2.61%). The Consolidated Entity's exposure to interest risk is disclosed in Note 25, Financial risk management. The maximum credit risk at the end of the reporting period is the carrying amount of the cash and deposits.

Note 5. Other financial assets

	Consolidated 2016 $'000	Consolidated 2015 $'000	Parent 2016 $'000	Parent 2015 $'000
Funds on deposit	100	100	-	-
	100	**100**	**-**	**-**
Reconciled by:				
Current				
Investments – Treasury Corporation of Victoria	-	-	-	-
Non-current				
Funds on deposit	100	100	-	-
Total other financial assets	**100**	**100**	**-**	**-**

Use of funds on deposit is restricted to payments of interest on borrowings and payments to suppliers in relation to the construction of new rolling stock (trains). The amount on deposit is subject to a fixed interest rate of 5.15% (2015: 5.15%) with quarterly payments of interest.

(a) Ageing analysis

Refer to Note 25, Financial risk management for the ageing analysis of other financial assets.

(b) Nature and extent of risk exposure

Refer to Note 25, Financial risk management for the nature and extent of risks arising from other financial assets.

Note 6. Trade and other receivables

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000	Parent 2016 $'000	Parent 2015 $'000
Contractual					
Receivables		33,418	34,982	161,778	162,829
Less provision for impairment of receivables	(a)	(177)	(111)	(177)	(111)
		33,241	**34,871**	**161,601**	**162,718**
Reconciled by:					
Current					
Receivables		32,017	32,253	160,377	160,100
Less provision for impairment of receivables	(a)	(177)	(111)	(177)	(111)
		31,840	32,142	160,200	159,989
Non-current					
Receivables		1,401	2,729	1,401	2,729
Less provision for impairment of receivables		-	-	-	-
Total receivables		**33,241**	**34,871**	**161,601**	**162,718**

(a) Impairment of receivables

Trade receivables are non-interest bearing and are generally on 30 day terms from the date of invoicing. Where debts become past due, an assessment is made of collectability. When there is objective evidence that an individual trade receivable is impaired, a provision for impairment is recognised. A provision of $177,000 (2015: $111,000) has been recognised by the Consolidated Entity and $177,000 (2015: $111,000) by the Parent Entity in the current year. These amounts have been included in "other operating expenses" in the comprehensive operating statement. No individual amount within the provision for impairment of receivables is material.

Receivables past due but not considered impaired are: Consolidated Entity $2,636,504 (2015: $4,392,000); Parent $2,636,504 (2015: $4,392,000).

Refer to Note 25, Financial risk management for the ageing analysis of receivables.

Movements in the provision for impairment of receivables were as follows:

	Consolidated		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
At 1 July	111	106	111	106
Increase in provision for impairment recognised during the year	155	83	155	83
Receivables written down during the year	(132)	(293)	(132)	(293)
Amounts reversed during the year	43	216	43	216
Total	**177**	**111**	**177**	**111**

(b) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying value approximates their fair value. The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security. Refer to Note 25, Financial risk management, for more information on the risk management policy of the Consolidated Entity and the credit quality of the Consolidated Entity's receivables.

(c) Risk exposure

Detail regarding interest rate risk exposure is disclosed in Note 25, Financial risk management.

Note 7. Property, infrastructure, plant and equipment

Purpose group – transportation and communications

	Consolidated		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Land				
Rail corridor land - at fair value	2,550,887	2,553,661	2,550,887	2,553,661
Rail corridor land - at cost	2,568	-	2,568	-
Non-rail corridor land - at fair value	1,825,691	1,829,772	1,825,691	1,829,772
Non-rail corridor land - at cost	-	-	-	-
Total land	**4,379,146**	**4,383,433**	**4,379,146**	**4,383,433**
Buildings and structures				
Net fair value	7,254,193	7,258,600	7,254,193	7,258,600
Accumulated depreciation	(137,919)	-	(137,919)	-
Carrying amount	**7,116,274**	**7,258,600**	**7,116,274**	**7,258,600**
Cost & allocation statement valuation	18,870	-	18,870	-
Accumulated depreciation	(85)	-	(85)	-
Carrying amount	**18,785**	**-**	**18,785**	**-**
Total buildings and structures after depreciation	**7,135,059**	**7,258,600**	**7,135,059**	**7,258,600**
Track				
Net fair value	7,059,165	7,059,165	7,059,165	7,059,165
Accumulated depreciation	(176,048)	-	(176,048)	-
Carrying amount	**6,883,117**	**7,059,165**	**6,883,117**	**7,059,165**
Cost & allocation statement valuation	60,370	-	60,370	-
Accumulated depreciation	-	-	-	-
Carrying amount	**60,370**	**-**	**60,370**	**-**
Total track after depreciation	**6,943,487**	**7,059,165**	**6,943,487**	**7,059,165**
Signals and communications				
Net fair value	3,104,078	3,104,678	3,104,078	3,104,678
Accumulated depreciation	(192,464)	-	(192,464)	-
Carrying amount	**2,911,614**	**3,104,678**	**2,911,614**	**3,104,678**
Cost & allocation statement valuation	98,685	-	98,685	-
Accumulated depreciation	(651)	-	(651)	-
Carrying amount	**98,034**	**-**	**98,034**	**-**
Total signals and communications after depreciation	**3,009,648**	**3,104,678**	**3,009,648**	**3,104,678**

	Consolidated		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Plant and equipment				
Net fair value	3,529,374	3,118,641	1,108,906	1,115,041
Accumulated depreciation	(322,653)	-	(63,388)	-
Carrying amount	**3,206,721**	**3,118,641**	**1,045,518**	**1,115,041**
Finance lease net fair value	936,667	935,889	2,517	1,739
Accumulated depreciation	(33,224)	-	(607)	-
Carrying amount	**903,443**	**935,889**	**1,910**	**1,739**
Cost	24,614	-	24,614	-
Accumulated depreciation	(845)	-	(845)	-
Carrying amount	**23,769**	**-**	**23,769**	**-**
Total plant and equipment after depreciation	**4,133,933**	**4,054,530**	**1,071,197**	**1,116,780**
Intangibles software and licences				
Net fair value	250,998	250,999	250,998	250,999
Accumulated depreciation	(99,683)	(75,384)	(99,683)	(75,384)
Total intangibles software and licences after amortisation	**151,315**	**175,615**	**151,315**	**175,615**
Capital works in progress				
Leasehold improvements/renewals	3,886,520	2,084,837	3,886,520	2,084,837
Rolling stock under construction	294,857	254,393	-	-
Other	37,856	101,715	37,856	101,715
Total capital works in progress	**4,219,233**	**2,440,945**	**3,924,376**	**2,186,552**
Total property, infrastructure, plant and equipment	**29,971,821**	**28,476,967**	**26,614,228**	**25,284,824**

Note 7. Property, infrastructure, plant and equipment (cont.)

Purpose group – transportation and communications

(a) Reconciliation of carrying amounts at the beginning and end of the year

Consolidated	Land $'000	Buildings & structures $'000	Track $'000	Signals & comms. $'000	Plant & equipment $'000	Intangible - software & licences $'000	WIP $'000	Total $'000
2016								
Carrying amount at 1 July 2015	4,383,433	7,258,600	7,059,165	3,104,678	4,054,530	175,615	2,440,945	28,476,966
Additions	2,568	-	-	-	1,029	-	2,322,337	2,325,934
Disposals	(4,531)	(4,407)	-	(600)	(6,502)	-	-	(16,040)
Asset held for sale	(2,324)	-	-	-	-	-	-	(2,324)
Impairment of assets	-	-	-	-	-	-	(73,641)	(73,641)
Depreciation charge for the year	-	(138,004)	(176,048)	(193,116)	(207,606)	(24,300)	-	(739,074)
Transferred from WIP	-	18,870	60,370	98,686	292,482	-	(470,408)	-
Carrying value at 30 June 2016	**4,379,146**	**7,135,059**	**6,943,487**	**3,009,648**	**4,133,933**	**151,315**	**4,219,233**	**29,971,821**
2015								
Carrying amount at 1 July 2014	3,022,431	4,901,068	5,891,790	2,541,275	4,145,166	195,120	4,904,037	25,600,887
Additions	-	38,552	-	-	-	-	1,286,891	1,325,443
Disposals	(8,010)	-	-	-	-		(5,700)	(13,710)
Reclassification	-	-	(26,217)	22,845	32,923	5,333	(34,885)	-
Revaluation movement	1,373,183	578,875	560,869	77,511	(379,321)	-	-	2,211,117
Depreciation charge for the year	-	(117,390)	(120,791)	(196,798)	(177,624)	(29,996)	-	(642,599)
Transferred from WIP	-	1,857,495	753,514	659,845	433,386	5,158	(3,709,398)	-
Asset held for sale	(4,169)	-	-	-	-	-	-	(4,169)
Carrying value at 30 June 2015	**4,383,433**	**7,258,600**	**7,059,165**	**3,104,678**	**4,054,530**	**175,615**	**2,440,945**	**28,476,967**

Parent	Land $'000	Buildings & structures $'000	Track $'000	Signals & comms. $'000	Plant & equipment $'000	Intangible - software & licences $'000	WIP $'000	Total $'000
2016								
Carrying amount at 1 July 2015	4,383,433	7,258,600	7,059,165	3,104,678	1,116,780	175,615	2,186,552	25,284,823
Additions	2,568	-	-	-	1,030	-	2,014,006	2,017,604
Disposals	(4,531)	(4,407)	-	(600)	(6,502)	-	-	(16,040)
Asset held for sale	(2,324)	-	-	-	-	-	-	(2,324)
Impairment of assets	-	-	-	-	-	-	(73,641)	(73,641)
Depreciation charge for the year	-	(138,004)	(176,048)	(193,115)	(64,725)	(24,300)	-	(596,192)
Transferred from WIP	-	18,870	60,370	98,685	24,614	-	(202,541)	(2)
Carrying value at 30 June 2016	**4,379,146**	**7,135,059**	**6,943,487**	**3,009,648**	**1,071,197**	**151,315**	**3,924,376**	**26,614,228**
2015								
Carrying amount at 1 July 2014	3,022,431	4,901,068	5,891,790	2,541,275	1,006,604	195,120	4,542,561	22,100,849
Additions	-	38,552	-	-	-	-	1,058,557	1,097,109
Disposals	(8,010)	-	-	-	-	-	(5,700)	(13,710)
Reclassification	-	-	(26,217)	22,845	32,923	5,333	(34,885)	-
Revaluation movement	1,373,183	578,875	560,869	77,511	36,737	-	-	2,627,175
Depreciation charge for the year	-	(117,390)	(120,791)	(196,798)	(57,453)	(29,996)	-	(522,428)
Transferred from WIP	-	1,857,495	753,514	659,845	97,969	5,158	(3,373,981)	-
Asset held for sale	(4,169)	-	-	-	-	-	-	(4,169)
Carrying value at 30 June 2015	**4,383,433**	**7,258,600**	**7,059,165**	**3,104,678**	**1,116,780**	**175,615**	**2,186,552**	**25,284,824**

Property, plant and equipment are classified primarily by the 'purpose' for which the assets are used, according to one of six purpose groups based upon government purpose classifications. All assets in a purpose group are further sub-categorised according to the asset's 'nature' (i.e. buildings, plant etc.) with each sub category being classified as a separate class of asset for financial reporting purposes. All of the Consolidated Entity's assets belong to the one purpose group for the purpose of *FRD103F: Non-financial physical assets*.

(b) Valuations of land

Land is shown at fair value based on an independent valuation undertaken by the VGV as at 30 June 2015. Subsequent fair value assessment (and if necessary revaluation) have been undertaken using indices based (where required) in accordance with *FRD103F: Non-Financial Physical Assets*.

(c) Valuations of buildings and structures

Building and structures are shown based on an independent valuation undertaken by the VGV as at 30 June 2015. The fair value was determined on the basis of depreciated replacement cost. An impairment analysis has been carried out annually since with no impairment noted.

(d) Valuations of track

Track is shown based on an independent valuation undertaken by the VGV as at 30 June 2015. The fair value was determined on the basis of depreciated replacement cost. An impairment analysis has been carried out annually since with no impairment noted.

(e) Valuations of signals and communications

Signals and communications are shown based on an independent valuation undertaken by the VGV as at 30 June 2015. The fair value was determined on the basis of depreciated replacement cost. An impairment analysis has been carried out annually since with no impairment noted.

(f) Valuations of plant and equipment & intangible software and licenses

Plant and equipment are shown based on an independent valuation undertaken by the VGV as at 30 June 2015. The fair value was determined on the basis of depreciated replacement cost. Software and licences are carried at historical cost. An impairment analysis has been carried out annually since with no impairment noted.

(g) Fair value measurements

Victrack measures and recognises its assets at fair value less any subsequent accumulated depreciation and subsequent accumulated impairment losses under AASB 116 *Property, Plant & Equipment*.

(i) Fair value hierarchy

AASB 13 *Fair value measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

To provide an indication about the subjectivity of the inputs used in determining fair value, the Consolidated Entity has classified its assets into the appropriate level of the fair value hierarchy as prescribed under the accounting standards in the following table.

2016	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Consolidated				
Land	-	-	4,379,146	4,379,146
Buildings and structures	-	-	7,135,059	7,135,059
Track	-	-	6,943,487	6,943,487
Signals and communications	-	-	3,009,648	3,009,648
Property and equipment	-	-	4,133,933	4,133,933
Total non-financial assets	**-**	**-**	**25,601,273**	**25,601,273**
Parent				
Land	-	-	4,379,146	4,379,146
Buildings and structures	-	-	7,135,059	7,135,059
Track	-	-	6,943,487	6,943,487
Signals and communications	-	-	3,009,648	3,009,648
Property and equipment	-	-	1,071,197	1,071,197
Total non-financial assets	**-**	**-**	**22,538,537**	**22,538,537**

2015	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Consolidated				
Land	-	-	4,383,433	4,383,433
Buildings and structures	-	-	7,258,600	7,258,600
Track	-	-	7,059,165	7,059,165
Signals and communications	-	-	3,104,678	3,104,678
Property and equipment	-	-	4,054,530	4,054,530
Total non-financial assets	**-**	**-**	**25,860,406**	**25,860,406**
Parent				
Land	-	-	4,383,433	4,383,433
Buildings and structures	-	-	7,258,600	7,258,600
Track	-	-	7,059,165	7,059,165
Signals and communications	-	-	3,104,678	3,104,678
Property and equipment	-	-	1,116,780	1,116,780
Total non-financial assets	**-**	**-**	**22,922,656**	**22,922,656**

The Consolidated Entity's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. There were no transfers in and out of level 3 measurements during the year.

There were no transfers for recurring fair value measurements during the year.

Note 7. Property, infrastructure, plant and equipment (cont.)

Purpose group – transportation and communications

(ii) Valuation techniques used to determine fair values

In addition to the Australian Accounting Standards and Interpretations, as a public sector agency the Consolidated Entity is also required to comply with the FRDs issued *DTF. FRD103F: Non-Financial Physical Assets* requires all non-current physical assets to be measured (after initial recognition at cost) using the revaluation model. In accordance *FRD103F: Non-Financial Physical Assets* requirements, the Consolidated Entity has adopted fair value for all its classes of fixed assets except capital works in progress. The Consolidated Entity obtains external, independent valuations for its fixed assets every five years. At the end of each reporting period, management update their assessment of the fair value of the assets, taking into account the most recent independent valuation. Refer below for further information on the valuation process.

All assets are valued using the depreciated replacement cost method with the exception of land. This method represents the current cost of reproduction or replacement of an asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. The method of valuation may vary for each subcategory and inputs are determined with reference to publicly available construction and ancillary costs, and average asset price for comparable local and global contracts. Relevant adjustments for inflation and qualitative attractiveness (consisting of functional and/or technical obsolescence) may also be made. The replacement cost for each asset was then depreciated using straight line depreciation on the basis of remaining life as a proportion of total economic life to arrive at depreciated replacement cost for each asset.

The best evidence of fair value is current prices in an active market for similar assets. Given the lack of an active market for a majority, the Consolidated Entity property, infrastructure, plant and equipment, fair value is derived using information from a variety of sources including prices for similar assets in less active markets, adjusted to reflect those differences. The specialised nature of most physical non-current assets and/or significant imperfections in the markets in which they are traded may preclude the current market selling price from being observed. These specialised assets are rarely, if ever, sold in the market, except by way of a sale of the business entity of which it is part, due to the uniqueness arising from its specialised nature and design, its configuration, size, location or otherwise.

Given that most of the valuation inputs, their application within the valuation models and the Consolidated Entity's determined depreciation rates cannot be market-corroborated, the fair value estimates in relation to these assets are included in level 3.

(iii) Fair value measurements (level 3)

The following table presents the changes in level 3 items for the period ended 30 June 2016 for recurring fair value measurements:

	Parent & Consolidated			
	Land $'000	Buildings and structures $'000	Track $'000	Signals and communications $'000
2016				
Opening balance 1 July 2015	4,383,433	7,258,600	7,059,165	3,104,678
Additions	2,568	-	-	-
Other adjustments	-	-	-	-
Disposals	(4,531)	(4,407)	-	(600)
Asset held for sale	(2,324)	-	-	-
Depreciation	-	(138,004)	(176,048)	(193,116)
Revaluation movement	-	-	-	-
Transfers from WIP	-	18,870	60,370	98,686
Total	**4,379,146**	**7,135,059**	**6,943,487**	**3,009,648**
2015				
Opening balance 1 July 2014	3,022,431	4,901,068	5,891,790	2,541,275
Additions	-	38,552	-	-
Reclassifications	-	-	(26,217)	22,845
Disposals	(8,010)	-	-	-
Depreciation	-	(117,390)	(120,791)	(196,798)
Revaluation movement	1,373,183	578,875	560,869	77,511
Asset held for sale	(4,169)	-	-	-
Transfers from WIP	-	1,857,495	753,514	659,845
Total	**4,383,433**	**7,258,600**	**7,059,165**	**3,104,678**

Note 7. Property, infrastructure, plant and equipment (cont.)

Purpose group – transportation and communications

(iii) Fair value measurements (level 3) (cont.)	Parent	Consolidated
	Plant and equipment $'000	Plant and equipment $'000
2016		
Opening balance 1 July 2015	1,116,780	4,054,530
Additions	1,030	1,029
Disposals	(6,502)	(6,502)
Depreciation	(64,725)	(207,606)
Revaluation movement	-	-
Transfer from WIP	24,614	292,482
Total	**1,071,197**	**4,133,933**
2015		
Opening balance 1 July 2014	1,006,604	4,145,166
Reclassifications	32,923	32,923
Depreciation	(57,453)	(177,624)
Revaluation movement	36,737	(379,321)
Transfer from WIP	97,969	433,386
Total	**1,116,780**	**4,054,530**

(iv) Changes in valuation techniques

There were no changes in valuation techniques during the year.

(v) Valuation process

The Consolidated Entity engages external, independent and qualified valuers to determine the fair value of its fixed assets every five years. The last full independent valuation was performed as at 30 June 2015.

In accordance with *FRD103F: Non-Financial Physical Assets requirements*, as at each balance date, management assess the compounded impact of movement in the fair value inputs since the last full revaluation date. To the extent that the compounded movement in the fair value inputs is greater than 10 per cent but not in excess of 40 percent, a managerial revaluation will be performed. To the extent that the compounded movement in the fair value inputs equals or exceeds 40 percent, a full revaluation by external, independent and qualified valuers will be performed. No adjustment to carrying amount is required if the compounded movement in the fair value inputs is less than or equal to 10 percent.

As at 30 June 2016, management assessed that the compounded movement in the fair value inputs since the last full revaluation date was less than 10 percent and therefore no adjustment to carrying amount is required. Values calculated during the 30 June 2015 full independent valuation were escalated to 30 June 2016 with relevant consumer price indices, labour price indices, steel prices, interest, foreign exchange and depreciation rates to estimate the magnitude of the compound movement in the fair value inputs.

(h) Victorian Government rail projects

In the 2015-16 state budget the Victorian Government committed funding for the removal of 50 metropolitan level crossings and committed to the delivery of the Metro Tunnel and the procurement of new High Capacity Metro Trains.

These projects will result in a range of rail assets being removed and a substantial number of new rail assets including stations, track, overhead line equipment and signalling being delivered. The procurement of elements of each of the projects will vary and is expected to include Public Private Partnerships (PPPs), alliances, and design and construct contracts. Accordingly, specific asset ownership arrangements are yet to be finalised. However, with the exception of any assets delivered under a PPP, the Consolidated Entity is expected to own all of the new assets and lease them to PTV.

(i) Assets pledged as security

Security has been granted on assets under construction and subject to financing.

(j) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. See above for the valuation techniques adopted.

Description	Valuation technique	Consolidated fair value as at 30 June 2016 $'000	Significant unobservable inputs
Land	Market approach	4,379,146	Community service obligation
Buildings and structures	Depreciated replacement cost	7,135,059	Direct cost per square metre Useful life of buildings and structures
Track	Depreciated replacement cost	6,943,487	Cost per unit Useful life of track
Signals and communications	Depreciated replacement cost	3,009,648	Cost per unit Useful life of signals and communications
Plant and equipment	Depreciated replacement cost	4,133,933	Cost per unit Useful life of plant and equipment

Note 8. Non-financial assets classified as held for sale

	Consolidated		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Non-current assets				
Land held for sale	2,324	4,169	2,324	4,169
Total non-financial assets classified as held for sale	**2,324**	**4,169**	**2,324**	**4,169**

The following table provides the fair value measurement hierarchy of non-financial physical assets held for sale.

	Consolidated and Parent $'000	Fair value measurement at end of reporting period using:		
		Level 1 $'000	Level 2 $'000	Level 3 $'000
2016				
Land held for sale	2,324	-	-	2,324
2015				
Land held for sale	4,169	-	-	4,169

Note 9. Intangible assets

	Consolidated		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Goodwill				
Carrying amount	63,417	63,417	-	-

There was no additional impairment and amortisation of goodwill incurred during the current and prior year. Goodwill is allocated to the Consolidated Entity's sole cash-generating unit, which is the leasing business. The recoverable amount of the cash generating unit is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cashflow projections over a 10 year period with the period extending beyond five years extrapolated using an estimated growth rate. The cashflows are discounted using the yield of a 10-year government bond at the beginning of the budget period.

Note 10. Trade and other payables

	Consolidated		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Trade and other payables	37,337	36,480	36,409	35,403
	37,337	36,480	36,409	35,403
Reconciled by:				
Current trade and other payables				
Contractual				
Supplies and services	21,282	23,060	20,314	21,983
Amounts payable to government and agencies	6,353	8,386	6,353	8,386
Other contractual payables	887	942	887	942
	28,522	**32,388**	**27,554**	**31,311**
Statutory				
FBT payable	23	74	23	74
GST payable	2,048	2,601	2,048	2,601
Other statutory payables	3,499	1,417	3,499	1,417
	5,570	**4,092**	**5,570**	**4,092**
Total current trade and other payables	**34,092**	**36,480**	**33,124**	**35,403**
Non-current trade and other payables				
Contractual				
Supplies and services	3,285	-	3,285	-
Amounts payable to government and agencies	-	-	-	-
Other contractual payables	-	-	-	-
	3,285	**-**	**3,285**	**-**
Total non-current trade and other payables	**3,285**	**-**	**3,285**	**-**
Total trade and other payables	**37,377**	**36,480**	**36,409**	**35,403**

Trade and other payables are normally settled within 45 days from the date of recognition.
Due to the short-term nature of trade and other payables, their carrying value approximates their fair value.

(a) Maturity analysis of contractual payables

Please refer to Note 25, Financial risk management for the maturity analysis of contractual payables.

(b) Nature and extent of risk arising from contractual payables

Refer to Note 25 Financial risk management for the nature and extent of risks raising from contractual payables.

Note 11. Provisions

	Consolidated		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Current provisions				
Employee benefits				
Annual leave				
Unconditional and expected to settle within 12 months	2,910	2,357	2,910	2,357
Unconditional and expected to settle after 12 months	100	601	100	601
Long service leave				
Unconditional and expected to settle within 12 months	445	443	445	443
Unconditional and expected to settle after 12 months	4,522	4,958	4,522	4,958
Other employee benefits				
Unconditional and expected to settle within 12 months	812	900	812	900
	8,789	**9,259**	**8,789**	**9,259**
Provision for on-costs				
Unconditional and expected to settle within 12 months	639	471	639	471
Unconditional and expected to settle after 12 months	701	847	701	847
	1,340	**1,318**	**1,340**	**1,318**
Total current provisions	**10,129**	**10,577**	**10,129**	**10,577**
Non-current provisions				
Employee benefits	1,127	1,073	1,127	1,073
On-costs	171	164	171	164
	1,298	**1,237**	**1,298**	**1,237**
Other provisions				
Make good provision	10,003	10,003	10,003	10,003
Total non-current provisions	**11,301**	**11,240**	**11,301**	**11,240**
Total provisions	**21,430**	**21,817**	**21,430**	**21,817**
Employee benefits and on-costs				
Current				
Long service leave	5,720	6,225	5,720	6,225
Annual leave	3,367	2,808	3,367	2,808
Other employee benefits	942	944	942	944
	10,029	**9,976**	**10,029**	**9,976**
Non-current				
Long service leave	1,298	1,237	1,298	1,237
	1,298	**1,237**	**1,298**	**1,237**
Total employee benefits and on-costs provisions	**11,327**	**11,214**	**11,327**	**11,214**

Employee benefits consist of annual leave and long service leave accrued by employees. On-costs such as payroll tax and worker's compensation insurance are not employee benefits and are not reflected as a separate provision.

Note 11. Provisions (cont.)

(a) Movement in provisions

Consolidated Entity and Parent Entity	Make good provision $'000	On-costs $'000	Total $'000
2016			
Balance at 1 July 2015	**10,003**	**1,482**	**11,485**
Additional provision recognised	-	887	887
Reductions arising from payments	-	(763)	(763)
Movement resulting from re-measurement or settlements without cost	-	(95)	(95)
Balance at 30 June 2016	**10,003**	**1,511**	**11,514**
2015			
Balance at 1 July 2014	**10,003**	**1,276**	**11,279**
Additional provision recognised	-	808	808
Reductions arising from payments	-	(593)	(593)
Movement resulting from re-measurement or settlements without cost	-	(9)	(9)
Balance at 30 June 2015	**10,003**	**1,482**	**11,485**

Note 12. Borrowings

	Consolidated		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Secured loan	201,003	228,750	-	-
Lease liability	460,576	524,471	1,921	1,749
	661,579	**753,221**	**1,921**	**1,749**
Reconciled by				
Current				
Secured loan	34,283	33,068	-	-
Lease liability	63,279	64,838	875	770
	97,562	**97,906**	**875**	**770**
Non-current				
Secured loan	166,720	195,682	-	-
Lease liability	397,297	459,633	1,047	979
	564,017	**655,315**	**1,047**	**979**
Total borrowings	**661,579**	**753,221**	**1,921**	**1,749**

(a) Fair value

The fair values of borrowings are disclosed in Note 25, Financial risk management.

(b) Secured liabilities and assets pledged as security

The lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statement as disclosed in Note 7, Property, infrastructure, plant and equipment, and revert to the lessor in the event of default.

The loans in the Rolling Stock Holdings entities are secured by way of fixed charge over the assets.

(c) Defaults and breaches

During the current and prior year, there were no defaults and breaches of any borrowings.

(d) Maturity analysis

Refer to Note 25, Financial risk management for the maturity analysis of borrowings.

(e) Nature and extent of risk from borrowings

Please refer to Note 25, Financial risk management for the nature and extent of risks arising from borrowings.

Note 13. Equity and movements in equity – Consolidated Entity

Contributed capital

	Capital 1 July 2015 $'000	Capital returned $'000	Additional capital $'000	Capital 30 June 2016 $'000
Assets				
Inventory	205	-	-	205
Receivables	2,715	-	-	2,715
Land	1,054,045	-	-	1,054,045
Buildings and structures	888,708	-	-	888,708
Track	1,303,643	-	-	1,303,643
Signals and communications	653,018	-	-	653,018
Plant and equipment	122,145	-	-	122,145
Works in progress/other assets	10,942,089	(484)	2,279,023	13,220,628
Total assets	**14,966,567**	**(484)**	**2,279,023**	**17,245,107**
Liabilities				
Provision for employee benefits	(6,959)	-	-	(6,959)
Total liabilities	**(6,959)**	**-**	**-**	**(6,959)**
Contributed capital at the end of the year	**14,959,608**	**(484)**	**2,279,023**	**17,238,147**

Note 13. Equity and movements in equity – Consolidated Entity (cont.)

Contributed capital (cont.)

	Capital 1 July 2014 $'000	Capital returned $'000	Additional capital $'000	Capital 30 June 2015 $'000
Assets				
Inventory	205	-	-	205
Receivables	2,715	-	-	2,715
Land	1,054,045	-	-	1,054,045
Buildings and structures	888,708	-	-	888,708
Track	1,303,643	-	-	1,303,643
Signals and communications	653,018	-	-	653,018
Plant and equipment	122,145	-	-	122,145
Works in progress/other assets	9,670,648	(5,700)	1,277,141	10,942,089
Total assets	**13,695,126**	**(5,700)**	**1,277,141**	**14,966,567**
Liabilities				
Provision for employee benefits	(6,959)	-	-	(6,959)
Total liabilities	**(6,959)**	**-**	**-**	**(6,959)**
Contributed capital at the end of the year	**13,688,167**	**(5,700)**	**1,277,141**	**14,959,608**

Note 13. Equity and movements in equity – Parent Entity

Contributed capital

	Capital 1 July 2015 $'000	Capital returned $'000	Additional capital $'000	Capital 30 June 2016 $'000
Assets				
Inventory	205	-	-	205
Receivables	2,715	-	-	2,715
Land	1,054,045	-	-	1,054,045
Buildings and structures	888,708	-	-	888,708
Track	1,303,643	-	-	1,303,643
Signals and communications	653,018	-	-	653,018
Plant and equipment	116,114	-	-	116,114
Works in progress/other assets	8,987,640	(484)	1,970,693	10,957,849
Total assets	**13,006,088**	**(484)**	**1,970,693**	**14,976,297**
Liabilities				
Provision for employee benefits	(6,959)	-	-	(6,959)
Total liabilities	**(6,959)**	**-**	**-**	**(6,959)**
Contributed capital at the end of the year	**12,999,129**	**(484)**	**1,970,693**	**14,969,339**

Contributed capital (cont.)

	Capital 1 July 2014 $'000	Capital returned $'000	Additional capital $'000	Capital 30 June 2015 $'000
Assets				
Inventory	205	-	-	205
Receivables	2,715	-	-	2,715
Land	1,054,045	-	-	1,054,045
Buildings and structures	888,708	-	-	888,708
Track	1,303,643	-	-	1,303,643
Signals and communications	653,018	-	-	653,018
Plant and equipment	116,114	-	-	116,114
Works in progress/other assets	7,944,533	(5,700)	1,048,807	8,987,640
Total assets	**11,962,982**	**(5,700)**	**1,048,807**	**13,006,088**
Liabilities				
Provision for employee benefits	(6,959)	-	-	(6,959)
Total liabilities	**(6,959)**	**-**	**-**	**(6,959)**
Contributed capital at the end of the year	**11,956,023**	**(5,700)**	**1,048,807**	**12,999,130**

Note 14. Reserves

	Consolidated		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Physical asset revaluation surplus				
Balance at beginning of financial year	10,775,572	8,823,127	10,418,043	8,174,358
Revaluation increments/decrements	(11,240)	2,211,117	(11,240)	2,627,175
Adjustments, disposal & transferred out	(4,631)	(7,292)	(4,631)	(7,292)
Changes in physical asset revaluation surplus	**(15,871)**	**2,203,825**	**(15,871)**	**2,619,883**
Net increment after income tax				
Income tax on physical asset revaluation surplus	3,372	(251,380)	3,372	(376,198)
Balance at the end of financial year	**10,763,073**	**10,775,572**	**10,405,544**	**10,418,043**

The asset revaluation surplus is used to record increases and decreases in the fair value of property, infrastructure, plant and equipment.

Note 15. Reconciliation of net result for the reporting period to net cashflow from operating activities

(a) Reconciliation of cash and cash equivalents

For the purpose of the cashflow statement, cash includes short-term deposits that are readily convertible to cash on hand and which are subject to a insignificant risk of changes in value, net of outstanding cheques yet to be presented.

(b) Non-cash financing and investing facilities

The Consolidated Entity has no non-cash financing and investment activities during the year.

(c) Finance facilities

The Consolidated Entity does not have any unused credit facilities in place at 30 June 2016 (2015: Nil).

(d) Reconciliation of net result for the reporting period to net cash inflow from operating activities

	Consolidated		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Net result for the period after tax	(474,447)	(351,992)	(438,746)	(330,903)
Adjustments for:				
Depreciation/amortisation	739,074	642,599	596,192	522,428
Fair value adjustments	(931)	(1,143)	-	-
Loss/(profit) on sale of assets	46,409	(8,457)	46,409	(8,457)
Changes in assets/liabilities:				
Increase/(decrease) in deferred tax liability	(200,501)	(147,053)	(185,201)	(138,667)
Increase/(decrease) in provisions	(387)	1,735	(387)	1,735
(Increase)/decrease in prepayments	(1,476)	417	(1,476)	417
(Increase)/decrease in receivables	1,630	(1,735)	1,117	(1,775)
Increase/(decrease) in trade and other payables	897	(8,767)	1,006	(8,777)
Net cashflow provide by/(used in) operating activities	**110,268**	**125,604**	**18,914**	**36,001**

Note 16. National tax equivalent regime

(a) Income tax

	Consolidated 2016 $'000	Consolidated 2015 $'000	Parent 2016 $'000	Parent 2015 $'000
Current income tax (expense)/benefit	113,848	97,233	94,272	71,034
Adjustment in respect of current income tax of previous years	1,805	789	-	-
Deferred income tax	87,381	52,860	93,461	70,810
Total income tax (expense)/benefit	**203,034**	**150,882**	**187,733**	**141,844**

(b) Income tax reconciliation

	Consolidated 2016 $'000	Consolidated 2015 $'000	Parent 2016 $'000	Parent 2015 $'000
Accounting profit/(loss) before tax	(677,481)	(502,874)	(626,479)	(472,747)
Income tax (expense)/benefit at company tax rate of 30%	203,245	150,862	187,944	141,824
Non-allowable items	(211)	20	(211)	20
	203,034	**150,882**	**187,733**	**141,844**

(c) Deferred income tax revenue/(expense) included in income tax expense

	Consolidated 2016 $'000	Consolidated 2015 $'000	Parent 2016 $'000	Parent 2015 $'000
(Increase)/decrease in deferred tax liabilities	107,395	72,500	93,506	70,260
Increase/(decrease) in deferred tax assets	(20,014)	(19,640)	(45)	550
	87,381	**52,860**	**93,461**	**70,810**

(d) Amounts charged directly to equity

	Consolidated 2016 $'000	Consolidated 2015 $'000	Parent 2016 $'000	Parent 2015 $'000
Retained profits				
Adjustment to prior year tax loss	1,805	789	-	-
Revaluation reserves				
Revaluation of plant and equipment	3,372	(251,380)	3,372	(376,198)

Note 16. National tax equivalent regime (cont.)

	Consolidated		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
(e) Deferred tax assets				
The balance comprises temporary differences attributable to:				
Fair value of loan	554	1,184	-	-
Finance lease liability	137,596	156,884	577	525
Accrued leave	3,428	3,544	3,428	3,544
Provision for asset decommissioning	3,001	3,001	3,001	3,001
Doubtful debts	53	33	53	33
Losses available for offset	561,531	445,878	361,609	267,337
Total deferred tax assets	**706,163**	**610,524**	**368,668**	**274,441**
(f) Deferred tax liabilities				
The balance comprises temporary differences attributable to:				
Revaluation of plant and equipment	(2,989,766)	(2,993,138)	(2,825,133)	(2,828,505)
Accelerated depreciation	(50,838)	(147,917)	(110,026)	(203,583)
Finance lease assets	(270,460)	(280,767)	(573)	(522)
Fair value of loan	(31)	(40)	-	-
Total deferred tax liabilities	**(3,311,095)**	**(3,421,862)**	**(2,935,732)**	**(3,032,610)**
Net deferred tax assets/(liabilities)	**(2,604,932)**	**(2,811,338)**	**(2,567,064)**	**(2,758,170)**
(g) Movement in deferred tax assets/(liabilities)				
Opening balance	(2,811,337)	(2,710,840)	(2,758,170)	(2,523,786)
Charged to income tax expense	87,381	52,860	93,461	70,810
Charged to equity	3,372	(251,380)	3,372	(376,198)
Movement in tax losses	115,652	98,023	94,272	71,004
Closing balance	**(2,604,932)**	**(2,811,338)**	**(2,567,064)**	**(2,758,170)**

Note 17. Employee superannuation funds

No liability is recognised in the balance sheet for the Consolidated Entity's share of the state's unfunded superannuation liability. The state's unfunded superannuation liability has been reflected in the financial statements of the Victorian Government's Department of Treasury and Finance.

However, the Consolidated Entity's (i.e. employer) superannuation contributions for the reporting period are included as part of employee benefits in the comprehensive operating statement.

The number of employees by head count as at 30 June 2016 was 326 (2015: 324).

Details of major employee superannuation funds to which the Consolidated Entity contributes are as follows:

Superannuation fund (*)	30 June 2016 Contributions $'000	Contributions outstanding as at 30 June 2016 $'000	30 June 2015 Contributions $'000	Contributions outstanding as at 30 June 2015 $'000
Transport Superannuation Scheme	343	45	339	41
State Superannuation Scheme	290	36	326	36
VicSuper	1,366	182	1,286	164
Other	1,783	332	1,658	263
	3,782	**595**	**3,609**	**504**

(*) These superannuation contributions relate to VicTrack as the Parent Entity – Rolling Stock Holdings (Victoria) Pty Limited and its subsidiary companies, which form the Consolidated Entity with the Parent Entity, do not employ any staff.

Employer contributions to the Transport Superannuation Scheme and the State Superannuation Scheme are based on actuarial assessments as advised by the Government Superannuation Office. Employer contributions to the other funds are made in accordance with the Commonwealth Superannuation Guarantee Legislation.

Note 18. Capital commitments

	Consolidated		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Within one year	2,196	10,109	2,196	10,109
One year or later and not later than five years	126	5,182	126	5,182
Later than five years	-	-	-	-
Total capital commitments	**2,322**	**15,291**	**2,322**	**15,291**

These capital expenditure commitments primarily relate to construction of telecommunication and property assets.

Note 19. Lease commitments

	Consolidated		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Operating leases payable				
Within one year	1,447	1,641	1,447	1,641
One year or later and not later than five years	6	1,238	6	1,238
Later than five years	-	-	-	-
Total capital commitments	**1,453**	**2,879**	**1,453**	**2,879**

Operating lease commitments are for office equipment and premises – these leases provide for a right of renewal at which time all terms are negotiated.

	Consolidated		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Finance leases				
Within one year	111,318	119,798	875	860
One year or later and not later than five years	493,370	603,665	1,132	984
Later than five years	-	3,762	-	-
Minimum finance lease payments	**604,688**	**727,225**	**2,007**	**1,844**
Less:				
Recoverable GST	(45,865)	(52,272)	-	-
Future finance lease charges	(98,246)	(150,481)	(85)	(95)
Present value of minimum finance lease payments	**460,577**	**524,472**	**1,922**	**1,749**

Finance leases relating to the introduction of new rolling stock have an average lease term of 15 years (2015: 15 years) and an average implicit discount rate of 9.89% (2015: 9.89%).

Note 20. Investments

Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(a):

Name	Country of incorporation	Percentage of equity interest held by the Consolidated Entity 2016	Percentage of equity interest held by the Consolidated Entity 2015
Rolling Stock Holdings (Victoria) Pty Limited	Australia	100%	100%
Rolling Stock (Victoria - VL) Pty Limited	Australia	100%	100%
Rolling Stock (VL-1) Pty Ltd	Australia	100%	100%
Rolling Stock (VL-2) Pty Ltd	Australia	100%	100%
Rolling Stock (VL-3) Pty Ltd	Australia	100%	100%

Note 21. Contingent liabilities

Environmental and property contingent liabilities

Upon the Consolidated Entity's establishment, and in subsequent asset allocations, the former Public Transport Corporation did not grant indemnities in relation to any consequences of environmental contamination of land and property or compliance with building code regulations that may have been transferred along with the ownership of the land and property.

An action plan has been prepared to address environmental contamination at a number of high priority sites. The Consolidated Entity does not have a present obligation (legal or constructive) as a result of a past event and is unable to reliably estimate future expenditure levels that are expected to be required to address environmental issues, including remediation activities. Due to the absence of a present obligation and the uncertainty regarding the actual quantum of expenditure, no provision for these costs has been included in the financial statements.

Indemnities

Infrastructure leases with the Director of Public Transport

The Consolidated Entity has entered into a number of leases with the Director of Public Transport under which its assets are made available to various transport operators and track access providers. These leases were allocated to PTV when it commenced operations on 2 April 2012. Under these leases the Consolidated Entity provides various indemnities to PTV, for example in relation to the exercise of certain powers under the respective leases. In turn, PTV provides an indemnity to the Consolidated Entity against any losses that may result from the use of the land and infrastructure by its sub-lessees (transport operators and track access providers).

Subject to the note below relating to current litigation and other indemnities, the Directors of the Consolidated Entity are unaware of any circumstances that would lead them to believe that these contingent liabilities will result in any material actual liability, and consequently no provisions are included in the financial statements in respect of these matters.

The Consolidated Entity is currently involved in a number of court proceedings and/or formal litigation. The majority of these relate to third party public liability claims for personal injury arising from use of or access to VicTrack owned station and rail infrastructure.

At this stage, it is too early to predict the outcome of these actions and whether any significant liabilities will be incurred by the Consolidated Entity as a result. Victrack's exposure to a majority of these claims are limited by the excess stated in Victrack's relevant insurance policy that is held with the Victorian Managed Insurance Authority. At the time of print, the maximum, aggregated, financial effect, if VicTrack is liable in all the above cases, is likely to be no more than $640,000.

There are other commitments made by the Consolidated Entity which are not quantifiable at this time, arising from indemnities provided in relation to transactions including leases, consultancy services, service agreements, as well as for Directors of the Consolidated Entity.

Note 22. Responsible persons

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

Responsible Minister:

The Hon Jacinta Allan MP, Minister for Public Transport

The Hon Tim Pallas MP, Treasurer

Directors of the Board:

Director	Appointment	Retired
John Lenders (Chair)	1 April 2015	
Yehudi Blacher (Deputy Chair)	12 April 2012	
Paula Allen	1 April 2016	
Brian Bulluss	13 October 2011	
Collette Burke	23 July 2015	
Geraldine Gray	23 July 2015	
David Hunter	13 October 2011	
Michael Trumble	21 February 2013	
Sam Andersen	10 August 2010	31 March 2016

Accountable Officer:

Campbell A. Rose

Remuneration of responsible persons:

Remuneration paid or payable to Responsible Persons during the year was:

	Consolidated		Parent	
Income Band	2016 No.	2015 No.	2016 No.	2015 No.
Less than $10,000	1	-	1	-
$10,000 to $19,999	-	2	-	2
$20,000 to $29,000	1	-	1	-
$30,000 to $39,999	2	5	2	5
$40,000 to $49,999	4	-	4	-
$80,000 to $89,000	1	1	1	1
$420,000 to $429,999	1	-	1	-
$440,000 to $449,999	-	1	-	1

Total remuneration of responsible persons: $786,486 (2015: $748,291).

Responsible persons' remuneration shown in aggregate above includes Directors' fees and superannuation contributions paid on behalf of Directors by the Consolidated Entity. The amount excludes insurance premiums paid by the Consolidated Entity in respect of Directors and officers insurance contracts.

The Accountable Officer's remuneration for the 30 June 2016 year included the total salary package received during the year and a provision for performance bonus relating to the 30 June 2015 year.

Note 23. Executive Officers' remuneration

The number of Executive Officers of the Consolidated Entity, other than the Accountable Officer and their total remuneration during the reporting period are shown in the second and third columns in the table below in their relevant income bands. The base remuneration of Executive Officers is shown in the fourth and fifth columns. Base remuneration is exclusive of performance bonus payments, long service leave payments, redundancy payments and retirement benefits.

	Total remuneration		Base remuneration	
Income band	2016 No.	2015 No.	2016 No.	2015 No.
<$100,000	7	2	7	2
$110,000 - $119,999	1	1	1	1
$130,000 - $139,999	-	1	-	1
$140,000 - $149,999	-	2	-	2
$150,000 - $159,999	-	-	3	-
$160,000 - $169,999	5	1	3	1
$170,000 - $179,999	1	4	-	4
$180,000 - $189,999	-	4	-	4
$190,000 - $199,999	-	1	-	1
$200,000 - $209,999	-	-	1	-
$210,000 - $219,999	-	-	1	-
$220,000 - $229,999	1	1	1	1
$230,000 - $239,999	1	1	1	1
$240,000 - $249,999	1	1	1	1
$250,000 - $259,999	1	1	-	1
$260,000 - $269,999	-	-	1	-
$270,000 - $279,999	1	1	-	1
$280,000 - $289,999	1	-	-	-
Total numbers	**20**	**21**	**20**	**21**
Total annualised employee equivalent	**15.1**	**17.4**	**15.1**	**17.4**
Total amount	**$3,091,289**	**$3,679,015**	**$2,901,563**	**$3,498,152**

The Executive Officers' remuneration for the years ended 30 June 2016 and 30 June 2015 include the total salary package received during the year as well as performance bonuses relating to the years ended 30 June 2016 and 30 June 2015 respectively.

The Executive Officers' remuneration amounts for the Consolidated Entity and the Parent Entity are the same.

Note 24. Remuneration of auditors

	Consolidated		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Audit fees paid or payable to the Victorian Auditor-General's Office for the audit of the financial statements				
Paid as at 30 June	-	39	-	39
Payable as at 30 June	151	114	90	53
Total financial statements audit	**151**	**153**	**90**	**92**

Note 25. Financial risk management

The Consolidated Entity's financial instruments consist mainly of cash, deposits with banks, other financial assets, contractual accounts receivable and payable and borrowings.

Financial risk management policies

The Directors' overall risk management strategy seeks to assist the Consolidated Entity in meeting its financial targets, while minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the Board on a regular basis.

These include the credit risk policies and future cashflow requirements.

The Consolidated Entity does not have any derivative instruments at 30 June 2016 and 2015.

The Board, with input from management, meets on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts. The Board's overall risk management strategy seeks to assist the Consolidated Entity in meeting its financial targets, while minimising potential adverse effects on financial performance.

The main risks the Consolidated Entity is exposed to through its financial instruments are credit risk, liquidity risk, and market risk relating to interest rate risk and other price risk.

There have been no substantive changes in the types of risks the Consolidated Entity is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

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

The totals for each category of financial instruments, measured in accordance with AASB 139 *Financial instruments: recognition and measurement* as detailed in the accounting policies to these financial statements, are as follows:

Categorisation of financial instruments

	Contractual financial assets or liabilities designated at fair value through profit/loss $'000	Contractual financial assets or liabilities held for trading at fair value through profit/loss $'000	Contractual financial assets - loans and receivables $'000	Contractual financial assets available-for-sale $'000	Contractual financial liabilities at amortised cost $'000	Total $'000
Consolidated 2016						
Contractual financial assets						
Cash and deposits	-	-	31,877	-	-	31,877
Other financial assets	-	-	100	-	-	100
Trade and other receivables	-	-	33,241	-	-	33,241
Total contractual financial assets	**-**	**-**	**65,218**	**-**	**-**	**65,218**
Contractual financial liabilities						
Trade and other payables	-	-	-	-	37,337	37,337
Secured loan	-	-	-	-	201,003	201,003
Lease liability	-	-	-	-	460,576	460,576
Total contractual financial liabilities	**-**	**-**	**-**	**-**	**698,916**	**698,916**
Consolidated 2015						
Contractual financial assets						
Cash and deposits	-	-	30,677	-	-	30,677
Other financial assets	-	-	100	-	-	100
Trade and other receivables	-	-	34,871	-	-	34,871
Total contractual financial assets	**-**	**-**	**65,648**	**-**	**-**	**65,648**
Contractual financial liabilities						
Trade and other payables	-	-	-	-	36,480	36,480
Secured loan	-	-	-	-	228,750	228,750
Lease liability	-	-	-	-	524,471	524,471
Total contractual financial liabilities	**-**	**-**	**-**	**-**	**789,701**	**789,701**

Note 25. Financial risk management (cont.)

Financial risk management policies (cont.)

Categorisation of financial instruments (cont.)

	Contractual financial assets or liabilities designated at fair value through profit/loss $'000	Contractual financial assets or liabilities held for trading at fair value through profit/loss $'000	Contractual financial assets - loans and receivables $'000	Contractual financial assets available-for-sale $'000	Contractual financial liabilities at amortised cost $'000	Total $'000
Parent 2016						
Contractual financial assets						
Cash and deposits	-	-	30,616	-	-	30,616
Other financial assets	-	-	-	-	-	-
Trade and other receivables	-	-	161,601	-	-	161,601
Total contractual financial assets	**-**	**-**	**192,217**	**-**	**-**	**192,217**
Contractual financial liabilities						
Trade and other payables	-	-	-	-	36,409	36,409
Secured loan	-	-	-	-	-	-
Lease liability	-	-	-	-	1,921	1,921
Total contractual financial liabilities	**-**	**-**	**-**	**-**	**38,330**	**38,330**
Parent 2015						
Contractual financial assets						
Cash and deposits	-	-	29,885	-	-	29,885
Other financial assets	-	-	-	-	-	-
Trade and other receivables	-	-	162,718	-	-	162,718
Total contractual financial assets	**-**	**-**	**192,603**	**-**	**-**	**192,603**
Contractual financial liabilities						
Trade and other payables	-	-	-	-	35,403	35,403
Secured loan	-	-	-	-	-	-
Lease liability	-	-	-	-	1,749	1,749
Total contractual financial liabilities	**-**	**-**	**-**	**-**	**37,152**	**37,152**

Net holding gain/(loss) on financial instruments by category

	Net holding gain/(loss) $'000	Total interest income/ (expense) $'000	Fee income/ (expense) $'000	Impairment loss $'000	Total $'000
Consolidated 2016					
Contractual financial assets					
Financial assets designated at fair value through profit/loss	-	-	-	-	-
Financial assets - loans and receivables	-	774	-	(177)	597
Financial assets available-for-sale recognised in net result	-	-	-	-	-
Financial assets available-for-sale recognised in other comprehensive result	-	-	-	-	-
Total contractual financial assets	**-**	**774**	**-**	**(177)**	**597**
Contractual financial liabilities					
Financial liabilities at amortised cost	-	61,987	-	-	61,987
Financial liabilities designated at fair value through profit/loss	-	-	-	-	-
Total contractual financial liabilities	**-**	**61,987**	**-**	**-**	**61,987**
Consolidated 2015					
Contractual financial assets					
Financial assets designated at fair value through profit/loss	-	-	-	-	-
Financial assets - loans and receivables	-	886	-	(111)	775
Financial assets available-for-sale recognised in net result	-	-	-	-	-
Financial assets available-for-sale recognised in other comprehensive result	-	-	-	-	-
Total contractual financial assets	**-**	**886**	**-**	**(111)**	**775**
Contractual financial liabilities					
Financial liabilities at amortised cost	-	70,039	-	-	70,039
Financial liabilities designated at fair value through profit/loss	-	-	-	-	-
Total contractual financial liabilities	**-**	**70,039**	**-**	**-**	**70,039**

Financial risk management policies (cont.)

Net holding gain/(loss) on financial instruments by category (cont.)

	Net holding gain/(loss) $'000	Total interest income/ (expense) $'000	Fee income/ (expense) $'000	Impairment loss $'000	Total $'000
Parent 2016					
Contractual financial assets					
Financial assets designated at fair value through profit/loss	-	-	-	-	-
Financial assets - loans and receivables	-	755	-	(177)	578
Financial assets available-for-sale recognised in net result	-	-	-	-	-
Financial assets available-for-sale recognised in other comprehensive result	-	-	-	-	-
Total contractual financial assets	**-**	**755**	**-**	**(177)**	**578**
Contractual financial liabilities					
Financial liabilities at amortised cost	-	50	-	-	50
Financial liabilities designated at fair value through profit/loss	-	-	-	-	-
Total contractual financial liabilities	**-**	**50**	**-**	**-**	**50**
Parent 2015					
Contractual financial assets					
Financial assets designated at fair value through profit/loss	-	-	-	-	-
Financial assets - loans and receivables	-	870	-	(111)	759
Financial assets available-for-sale recognised in net result	-	-	-	-	-
Financial assets available-for-sale recognised in other comprehensive result	-	-	-	-	-
Total contractual financial assets	**-**	**870**	**-**	**(111)**	**759**
Contractual financial liabilities					
Financial liabilities at amortised cost	-	-	-	-	-
Financial liabilities designated at fair value through profit/loss	-	-	-	-	-
Total contractual financial liabilities	**-**	**-**	**-**	**-**	**-**

The net holding gains or losses disclosed above are determined as follows:

- for cash and cash deposits, loans or receivables and available-for-sale financial assets, the net gain or loss is calculated by taking the interest income, plus or minus foreign exchange gains or losses arising from revaluation of the financial assets, and minus any impairment recognised in the net result; and
- for financial liabilities measured at amortised cost, the net gain or loss is calculated by taking the interest expense, plus or minus foreign exchange gains or losses arising from the revaluation of financial liabilities measured at amortised cost.

(a) Market risk

Market risk is the risk that the fair value of future cashflows of a financial instrument will fluctuate because of changes in market prices. Market risk embodies the potential for both losses and gains and includes currency risk, interest rate risk and other price risks. The Consolidated Entity's market risk, limited to interest rate risk and foreign currency risk, is managed on an ongoing basis by management.

(i) Interest rate risk

Interest rate risk arises from the interest bearing financial assets and liabilities that the Consolidated Entity uses. Minimisation of risk is achieved by utilising short term interest bearing financial assets with TCV and established financial institutions.

Exposure to interest rate risk on liabilities is through the loan borrowing and finance lease of Rolling Stock Holdings. Minimisation of risk is achieved by utilising fixed interest rate liabilities.

Interest earned on cash assets is equivalent to the 11.00am cash rate less a fixed premium agreed by the Consolidated Entity and the bank. The weighted average interest rate for the year ended 30 June 2016 was 1.99% (2015: 2.20%). Earnings from interest vary according to movements in the 11.00am cash rate.

Interest income from funds on deposit is fixed at the rate of 5.15% (2015: 5.15%).

The Consolidated Entity's sensitivity to interest rate movements is set out in the table below.

Interest rate exposure of financial instruments

	Weighted average effective interest rate %	Carrying amount $'000	Fixed interest rate $'000	Variable interest rate $'000	Non-interest bearing $'000
Consolidated 2016					
Financial assets					
Cash assets	1.99	31,877	-	31,877	-
Other financial assets	5.15	100	100	-	-
Trade and other receivables	-	33,241	-	-	33,241
Total financial assets		**65,218**	**100**	**31,877**	**33,241**
Financial liabilities					
Trade and other payables	-	37,377	-	-	37,377
Secured loan	5.37 - 6.59	201,003	201,003	-	-
Finance lease	10.10	460,576	460,576	-	-
Total financial liabilities		**698,956**	**661,579**	**-**	**37,337**
Consolidated 2015					
Financial assets					
Cash assets	2.20	30,677	-	30,604	73
Other financial assets	5.15	100	100	-	-
Trade and other receivables	-	34,871	-	-	34,871
Total financial assets		**65,648**	**100**	**30,604**	**34,944**
Financial liabilities					
Trade and other payables	-	36,480	-	-	36,480
Secured loan	5.37 - 6.59	228,750	228,750	-	-
Finance lease	10.13	524,471	524,471	-	-
Total financial liabilities		**789,700**	**753,221**	**-**	**36,480**

Note 25. Financial risk management (cont.)

(a) Market risk (cont.)

(i) Interest rate risk (cont.)

The Parent Entity's sensitivity to interest rate movements is set out in the table below.

Interest rate exposure of financial instruments

	Weighted average effective interest rate %	Carrying amount $'000	Fixed interest rate $'000	Variable interest rate $'000	Non-interest bearing $'000
Parent 2016					
Financial assets					
Cash assets	1.99	30,616	-	30,616	-
Other financial assets	-	-	-	-	-
Trade and other receivables	-	161,601	-	-	161,601
Total financial assets		**192,217**	**-**	**30,616**	**161,601**
Financial liabilities					
Trade and other payables	-	36,409	-	-	36,409
Secured loan	-	-	-	-	-
Finance lease	4.06	1,921	1,921	-	-
Total financial liabilities		**38,330**	**1,921**	**-**	**36,409**
Parent 2015					
Financial assets					
Cash assets	2.20	29,885	-	29,885	-
Other financial assets	-	-	-	-	-
Trade and other receivables	-	162,718	-	-	162,718
Total financial assets		**192,603**	**-**	**29,885**	**162,718**
Financial liabilities					
Trade and other payables	-	35,403	-	-	35,403
Secured loan	-	-	-	-	-
Finance lease	4.77	1,749	1,749	-	-
Total financial liabilities		**37,152**	**1,749**	**-**	**35,403**

(ii) Foreign currency risk

The Consolidated Entity's exposure to foreign currency is through its payables relating to purchases of supplies of Rolling Stock Holdings. Limited amount of purchases are denominated in foreign currencies and the reimbursement of cost from DEDJTR including the short timeframes for settlements minimises the risk.

The Consolidated Entity manages its risk through continuous monitoring of movements in exchange rates. Based on past and current assessment of economic outlook, it is deemed unnecessary for the Consolidated Entity to enter into any hedging arrangements to manage the risk.

The Consolidated Entity does not have any receivables due in foreign currencies and therefore there is no foreign currency risk from this asset class.

There have been no changes from previous periods.

(b) Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity.

Credit risk arises from the financial assets of the Consolidated Entity, which comprises cash, trade and other receivables. The maximum exposure to credit risk at reporting date is represented by the carrying amount of those assets in the balance sheet. The receivables mainly relate to payment for the provision of telecommunications services by the Consolidated Entity and property rentals outstanding.

The Consolidated Entity provided a range of telecommunications services under contract to a number of government controlled and private companies. The nature of the entities, in the opinion of the Directors of the Consolidated Entity, has created a low level of credit risk.

The Consolidated Entity's credit exposure in the real estate industry is characterised by a large and diverse range of lessees and licensees. The Consolidated Entity holds bond amounts as security over rent and other receivables. To this extent, the credit risk exposure is regarded as low. Provision for doubtful debts is calculated based on past experience and current and expected future payments.

In addition, the Consolidated Entity does not engage in hedging for its financial assets and mainly obtains financial assets that are on fixed interest.

Credit quality of financial assets that are neither past due nor impaired

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. All receivables are non-default customers which have been customers of the Consolidated Entity for more than one year.

	Financial institutions (AA- credit rating) $'000	Government agencies (AAA credit rating) $'000	Total $'000
2016			
Consolidated			
Cash and cash deposits	5,845	26,032	31,877
Other financial assets	100	-	100
	5,945	**26,032**	**31,977**
Parent			
Cash and cash deposits	5,469	25,147	30,616
Other financial assets	-	-	-
	5,469	**25,147**	**30,616**
2015			
Consolidated			
Cash and cash deposits	9,399	21,278	30,677
Other financial assets	100	-	100
	9,499	**21,278**	**30,777**
Parent			
Cash and cash deposits	9,326	20,559	29,885
Other financial assets	-	-	-
	9,326	**20,559**	**29,885**

Note 25. Financial risk management (cont.)

(b) Credit risk (cont.)

Ageing analysis of contractual financial assets

	Carrying amount $'000	Not past due and not impaired $'000	Past due but not impaired			Impaired financial assets $'000
			31-90 days $'000	91-180 days $'000	Over 180 days $'000	
2016						
Consolidated						
Financial assets						
Cash assets	31,877	31,877	-	-	-	-
Other financial assets	100	100	-	-	-	-
Trade and other receivables	33,241	30,427	2,299	233	282	(177)
Total financial assets	**65,218**	**62,404**	**2,299**	**233**	**282**	**(177)**
Parent						
Financial assets						
Cash assets	30,616	30,616	-	-	-	-
Other financial assets	-	-	-	-	-	-
Trade and other receivables	161,601	158,787	2,299	233	282	(177)
Total financial assets	**192,217**	**189,403**	**2,299**	**233**	**282**	**(177)**
2015						
Consolidated						
Financial assets						
Cash assets	30,677	30,677	-	-	-	-
Other financial assets	100	100	-	-	-	-
Trade and other receivables	34,871	30,368	4,295	111	97	(111)
Total financial assets	**65,648**	**61,145**	**4,295**	**111**	**97**	**(111)**
Parent						
Financial assets						
Cash assets	29,885	29,885	-	-	-	-
Other financial assets	-	-	-	-	-	-
Trade and other receivables	162,718	158,215	4,295	111	97	(111)
Total financial assets	**192,603**	**188,100**	**4,295**	**111**	**97**	**(111)**

(c) Liquidity risk

Liquidity risk arises when the Consolidated Entity is unable to meet its financial obligations as they fell due. The Consolidated Entity operates under a payment policy of settling obligations within 30 days from date of invoice. To minimise the exposure of liquidity risk the Consolidated Entity has a short term cash management investment policy allowing for adequate holding of high quality liquid assets to meet future cashflows. Notwithstanding the deficiency in the net current assets of $74.7 million (2015: $80.0 million), the exposure to liquidity risk is deemed insignificant. The ability of the Consolidated Entity to continue paying its debts as and when they fall due is dependent upon existing contractual arrangements continuing to operate as originally intended. Such agreements ensure sufficient contributions are made by the Victorian Government to cover the Consolidated Entity's contractual commitments. There are no financial liabilities that are past due.

(d) Maturity of financial assets/liabilities

The tables below analyse the Consolidated Entity's and Parent Entity's cash inflows and outflows of non-derivative financial instruments. The amounts disclosed in the table are the contractual undiscounted cashflows.

Contractual maturities of financial instruments	Less than 1 year $'000	Between 1 year and 5 years $'000	Over 5 years $'000	Total contractual cashflows $'000	Carrying amount $'000
Consolidated 2016					
Liquid financial assets					
Cash assets	31,877	-	-	31,877	31,877
Other financial assets	100	-	-	100	100
Total financial assets	**31,977**	**-**	**-**	**31,977**	**31,977**
Liquid financial liabilities					
Trade and other payables	37,377	-	-	37,377	37,377
Secured loan	34,283	143,451	23,269	201,003	201,003
Finance lease	63,279	397,297	-	460,576	460,576
Total financial liabilities	**134,939**	**540,748**	**23,269**	**698,956**	**698,956**
Net inflow/(outflow)	**(102,962)**	**(540,748)**	**(23,269)**	**(666,979)**	**(666,979)**
Consolidated 2015					
Liquid financial assets					
Cash assets	30,677	-	-	30,677	30,677
Other financial assets	100	-	-	100	100
Total financial assets	**30,777**	**-**	**-**	**30,777**	**30,777**
Liquid financial liabilities					
Trade and other payables	36,480	-	-	36,480	36,480
Secured loan	33,068	143,451	52,231	228,750	228,750
Finance lease	64,838	459,633	-	524,472	524,472
Total financial liabilities	**134,387**	**603,084**	**52,231**	**789,704**	**789,704**
Net inflow/(outflow)	**(103,610)**	**(603,084)**	**(52,231)**	**(758,927)**	**(758,927)**

Note 25. Financial risk management (cont.)

(d) Maturity of financial assets/liabilities (cont.)

Contractual maturities of financial instruments	Less than 1 year $'000	Between 1 year and 5 years $'000	Over 5 years $'000	Total contractual cashflows $'000	Carrying amount $'000
Parent 2016					
Liquid financial assets					
Cash assets	30,616	-	-	30,616	30,616
Other financial assets	-	-	-	-	-
Total financial assets	**30,616**	**-**	**-**	**30,616**	**30,616**
Liquid financial liabilities					
Trade and other payables	33,124	900	2,385	36,409	36,409
Secured loan	-	-	-	-	-
Finance lease	875	1,046	-	1,921	1,921
Total financial liabilities	**33,999**	**1,946**	**2,385**	**38,330**	**38,330**
Net inflow/(outflow)	**(3,383)**	**(1,946)**	**(2,385)**	**(7,714)**	**(7,714)**
Parent 2015					
Liquid financial assets					
Cash assets	29,885	-	-	29,885	29,885
Other financial assets	-	-	-	-	-
Total financial assets	**29,885**	**-**	**-**	**29,885**	**29,885**
Liquid financial liabilities					
Trade and other payables	35,403	-	-	35,403	35,403
Finance lease	770	979	-	1,749	1,749
Total financial liabilities	**36,173**	**979**	**-**	**37,152**	**37,152**
Net inflow/(outflow)	**(6,288)**	**(979)**	**-**	**(7,267)**	**(7,267)**

Leasing arrangements

Operating leases relate to the leasing of rolling stock owned by the Consolidated Entity to PTV on a straight-line basis over the lease term. The lessee does not have an option to purchase the property at the expiry of the lease period.

	2016 $'000	2015 $'000
Non-cancellable operating receivables		
Not longer than one year	29,225	29,225
Longer than one year but not longer than five years	116,899	116,899
Longer than five years	36,539	65,756
Total	**182,655**	**211,880**

(e) Sensitivity analysis and assumptions

The Consolidated Entity's sensitivity to market risk is determined based on the observed range of actual historical data for processing a five year period, with all variable other than the primary risk variable held constant. The Consolidated Entity's management cannot be expected to predict movements in market rates and prices, sensitivity analysis shown for illustrative purposes only. The following movements are 'reasonably possible' over the next 12 months;

- a movement of 100 basis points up and 100 basis points down (2015: 100 basis points up and 100 basis points down) in market interest rates (AUD).

The following tables disclose the impact on the Consolidated Entity's and Parent Entity's net result and equity for each category of financial instrument held by the Consolidated Entity and Parent Entity at 30 June 2016 as presented to key management personnel, if the above movements were to occur.

Taking into account past performance, future expectations, economic forecasts, and VicTrack's knowledge, it is reasonable to believe the following movements are reasonably possible over the next 12 months:

		Interest rate risk			
		-1%		1%	
Consolidated	Carrying amount subject to interest $'000	Net result $'000	Revaluation reserve $'000	Net result $'000	Revaluation reserve $'000
2016					
Financial assets					
Cash assets	31,877	(386)	-	386	-
Total increase/(decrease)		**(386)**	**-**	**386**	**-**
2015					
Financial assets					
Cash assets	30,677	(401)	-	401	-
Total increase/(decrease)		**(401)**	**-**	**401**	**-**

Note 25. Financial risk management (cont.)

Parent	Carrying amount subject to interest $'000	Interest rate risk -1% Net result $'000	Interest rate risk -1% Revaluation reserve $'000	Interest rate risk 1% Net result $'000	Interest rate risk 1% Revaluation reserve $'000
2016					
Financial assets					
Cash assets	30,616	(377)	-	377	-
Total increase/(decrease)		**(377)**	**-**	**377**	**-**
2015					
Financial assets					
Cash assets	29,885	(394)	-	394	-
Total increase/(decrease)		**(394)**	**-**	**394**	**-**

There have been no changes in the methods and assumptions used in determining the sensitivity of financial assets/liabilities to market risk.

(f) Net fair value of financial assets and liabilities

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Consolidated Entity is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using valuation techniques. The Consolidated Entity uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cashflows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values due to the short-term nature of trade receivables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cashflows at the current market interest rate that is available to the Consolidated Entity for similar financial instruments.

Due to the short-term nature of the current receivables, their carrying value is assumed to approximate their fair value and based on credit history, it is expected that the receivables that are neither past due nor impaired will be received when due.

	2016		2015	
	Carrying amount $'000	Net fair value $'000	Carrying amount $'000	Net fair value $'000
Consolidated				
Financial assets				
Cash assets	31,877	31,877	30,677	30,677
Other financial assets	100	100	100	100
Trade and other receivables	33,241	33,241	34,871	34,871
Total financial assets	**65,218**	**65,218**	**65,648**	**65,648**
Financial liabilities				
Trade and other payables	(37,377)	(37,377)	(36,480)	(36,480)
Borrowings	(661,579)	(680,142)	(753,221)	(770,774)
Total financial liabilities	**(698,956)**	**(717,519)**	**(789,701)**	**(807,254)**
Net financial assets	**(633,738)**	**(652,301)**	**(724,053)**	**(741,606)**
Parent				
Financial assets				
Cash assets	30,616	30,616	29,885	29,885
Other financial assets	-	-	-	-
Trade and other receivables	161,601	161,601	162,718	162,718
Total financial assets	**192,217**	**192,217**	**192,603**	**192,603**
Financial liabilities				
Trade and other payables	(36,409)	(36,409)	(35,403)	(35,403)
Borrowings	(1,921)	(1,921)	(1,749)	(1,749)
Total financial liabilities	**(38,330)**	**(38,330)**	**(37,152)**	**(37,152)**
Net financial assets	**153,887**	**153,887**	**155,451**	**155,451**

Net fair value of financial assets and liabilities

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

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

As none of the Consolidated Entity's financial instruments are recorded at fair value, the hierarchy table has not been disclosed.

Disclosure index

VicTrack's Annual Report has been prepared in accordance with all relevant legislation and pronouncements. This index has been prepared to facilitate identification of VicTrack's compliance with statutory disclosure requirements.

Legislation	Requirement	Page reference
Ministerial Directions		
Report of operations – FRD guidance		
Charter and purpose		
FRD 22G	Manner of establishment and the relevant Ministers	Page 11
FRD 22G	Purpose, functions, powers and duties	Page 11
FRD 8D	Departmental objectives, indicators and outputs	N/A
FRD 22G	Key initiatives and projects	Page 5
FRD 22G	Nature and range of services provided	Page 12
Management and structure		
FRD 22G	Organisational structure	Page 12
Financial and other information		
FRD 8D	Performance against output performance measures	Page 52
FRD 8D	Budget portfolio outcomes	N/A
FRD 10A	Disclosure index	Page 118
FRD 12A	Disclosure of major contracts	Page 40
FRD 15C	Executive officer disclosures	Page 39
FRD 22G	Employment and conduct principles	Page 37
FRD 22G	Occupational health and safety policy	Page 35
FRD 22G	Summary of the financial results for the year	Page 52
FRD 22G	Significant changes in financial position during the year	Page 52
FRD 22G	Major changes or factors affecting performance	Page 52
FRD 22G	Subsequent events	N/A
FRD 22G	Application and operation of *Freedom of Information Act 1982*	Page 40
FRD 22G	Compliance with building and maintenance provisions of *Building Act 1993*	Page 41
FRD 22G	Statement on National Competition Policy	Page 41
FRD 22G	Application and operation of the *Protected Disclosure Act 2012*	Page 42
FRD 22G	Application and operation of the *Carers Recognition Act 2012*	Page 42
FRD 22G	Details of consultancies over $10,000	Page 40
FRD 22G	Details of consultancies under $10,000	Page 40
FRD 22G	Disclosure of government advertising expenditure	N/A
FRD 22G	Disclosure of ICT expenditure	Page 40
FRD 22G	Statement of availability of other information	Page 41
FRD 24C	Reporting of office based environmental impacts	Page 42
FRD 25B	Victorian Industry Participation Policy disclosures	Page 39
FRD 29A	Workforce data disclosures	Page 37
SD 4.5.5	Attestation for compliance with Ministerial Standing Direction 4.5.5	Page 48

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SD 4.2(g)	Specific information requirements	N/A
SD 4.2(j)	Sign off requirements	Page 51
Financial statements required under Part 7 of the FMA		
SD 4.2(a)	Statement of changes in equity	Page 56
SD 4.2(b)	Operating statement	Page 54
SD 4.2(b)	Balance sheet	Page 55
SD 4.2(b)	Cashflow statement	Page 58
Other requirements under Standing Directions 4.2		
SD 4.2(c)	Compliance with Australian accounting standards and other authoritative pronouncements	Page 59
SD 4.2(c)	Compliance with Ministerial Directions	Page 35
SD 4.2(d)	Rounding of amounts	Page 71
SD 4.2(c)	Accountable officer's declaration	Page 51
SD 4.2(f)	Compliance with Model Financial Report	N/A
Other disclosures as required by FRDs in notes to the financial statements*		
FRD 9A	Departmental disclosure of administered assets and liabilities by activity	N/A
FRD 11A	Disclosure of Ex gratia expenses	N/A
FRD 13	Disclosure of parliamentary appropriations	N/A
FRD 21B	Disclosures of responsible persons, Executive Officers and other personnel (contractors with significant management responsibilities) in the financial report	Page 102
FRD 103F	Non-financial physical assets	Page 60
FRD 110	Cashflow statements	Page 58
FRD 112D	Defined benefit superannuation obligations	Page 99

*Note: References to FRDs have been removed from the Disclosure Index if the specific FRDs do not contain requirements that are of the nature of disclosure

Legislation

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Building Act 1993	Page 41
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Carers Recognition Act 2012	Page 42
Victorian Industry Participation Policy Act 2003	Page 39
Financial Management Act 1994	N/A

Appendices

Board members

VicTrack Directors are appointed on the basis of their ability to contribute to meeting VicTrack's objectives. Each Director has wide experience with other boards and organisations, and together they bring a diverse range of knowledge and business expertise to VicTrack. At year end, the Board comprised eight independent, non-executive Directors – John Lenders (Chair), Yehudi Blacher (Deputy Chair), Paula Allen, Brian Bulluss, Collette Burke, Geraldine Gray, David Hunter and Michael Trumble.

John Lenders
Chair

John was appointed as Director and Chair of VicTrack in April 2015 and has more than a decade of experience in senior roles in public office. He is Chair of the Remuneration and Human Resources Committee. John was elected to State Parliament in September 1999. After joining the Cabinet in February 2002, he held a range of portfolios including Industrial Relations, Consumer Affairs, Finance, ICT, Major Projects, WorkCover and Education. He was the Victorian Treasurer from 2007 to 2010 and was responsible for delivering the State budget, and providing strategic advice to government on its economic, financial and budgetary policies.

Yehudi Blacher PSM, BA (Hons), MA, FIPA
Deputy Chair

Yehudi was appointed a Director and Deputy Chair of VicTrack in April 2012. He is Chair of the Freight Logistics Committee. Yehudi brings extensive public sector experience to the Board, including land-use planning and strategic management. He was the Secretary of the Victorian Department of Planning and Community Development from 2002 to 2011. He also held Deputy Secretary level positions in the Department of Premier and Cabinet and the Department of Human Services.

From 1991 to 1996 he was head of the Victorian Office of Local Government. He is a Fellow of the IPAA (Victoria) and a Professorial Fellow at the University of Melbourne. Yehudi was appointed as the inaugural Chair of the Port of Hastings Development Authority in 2012 and has been a member of the Monash University Council since 2008.

Paula Allen CFA FCA
Director

Paula has extensive experience spanning more than two decades across strategy, finance, governance, and technology, principally around highly regulated markets. During her career, she has held senior positions that have helped businesses to deliver better outcomes, including Bankers Trust, Colonial Group, and LUCRF Super. Companies she led have been recognised through listings in BRW Top 500 companies in Australia and the 'Rising Star' award in the superannuation industry. Currently Paula manages her own consulting firm, working both locally and internationally. Paula was appointed to the Board effective 1 April 2016.

Brian Bulluss
Director

Brian Bulluss was appointed a Director of VicTrack in September 2011. He is Chair of the Telecommunications Committee. Brian is a Procurement Project Manager with CPA Australia, the professional association for accountants. His expertise is in procurement, IT, telecommunications and property. Brian was formerly a National Project Manager for Telstra. His education background includes Facilities Management (University of Melbourne) and Commercial Property Management (Macquarie University).

Collette Burke B.E (Civil), M.Eng.Sci, PhD, FIEAust, GAICD
Director

Collette has spent over 24 years in the design and construction sector with major contractors (Leightons, Thiess and John Holland) as well as being a co-founder of boutique engineering consultancy and education firm, Exner Group. Collette is also an internationally acknowledged researcher and authority on risk management and the delivery of value for money in major infrastructure projects. Through her experience, Collette has been exposed to major telecommunications projects, rail projects and road and rail signalling installations, which have significant and valuable synergies with VicTrack. Collette joined VicTrack's Board in July 2015.

Geraldine Gray BA, LLB, LLM

Director

Geraldine has spent some 30 years in the legal industry, practising as a solicitor then a barrister in NSW, Hong Kong and Victoria. She has been at the Victorian Bar since 2004 and brings with her broad and invaluable legal experience in the commercial, contractual and construction sectors. Geraldine is a director of the Australasian Leukaemia & Lymphoma Group Ltd. She was appointed to the VicTrack Board in July 2015.

David Hunter FIE Aust, Dip BA, GAICD

Director

David Hunter was appointed a director of VicTrack in September 2011 and is Chair of the Audit and Risk Management Committee. David is a civil engineer specialising in strategic planning for physical and social infrastructure. He has more than 40 years' experience as a civil engineer, company director and manager, including 17 years in local government and 25 years in private practice. David has held senior management and directorship roles, including Director of Coomes Consulting Group and Director and Executive General Manager, Market Development at Downer EDI Consulting (CPG). Since retiring from full-time employment, David has established a part-time consultancy providing strategic advice to key clients.

Michael Trumble BCom, LLB

Director

Michael was appointed a Director of VicTrack in December 2012. He is the Chair of the Property, Environment and Heritage Committee. Michael is a leading commercial property lawyer and is the principal of the firm Michael Trumble Legal. He has a wealth of experience in property law in development, construction and management, commercial leasing, purchasing and sales, joint ventures and other related transactions. He has worked on projects ranging from major office building developments to shopping centres and public infrastructure projects. In particular, his public infrastructure experience includes Melbourne Airport project, the Commonwealth Games Village, the Melbourne Convention and Exhibition Centre project and various public transport projects.

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