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Annual Report

VicTrack

A More Connected Victoria

VICTORIA
State Government

Letter
to the Ministers

3 September 2015

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

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

Dear Ministers

I am pleased to submit to you for presentation to Parliament the *VicTrack Annual Report*, for the period 1 July 2014 to 30 June 2015.

Yours sincerely

John Lenders
Chair VicTrack

Contents

VicTrack
2014-2015 highlights

With a focus on growing the value of Victoria's rail corridor assets, we've continued in 2015 to deliver some of the state's most valuable commuter improvement projects, community property developments and telecommunications infrastructure upgrades.

$99.2m
Recurrent revenue

$38.4m
Reinvested into the State's transport assets:

- $6.8m rail infrastructure
- $23.1m telecommunications infrastructure
- $3.9m environment
- $2.2m heritage
- $2.4m bridges

$54.9m
Telecommunication revenue

$98.4m
Received for public transport projects

$2.9m
Freight-related revenue

$3.8m
Billboard and carpark portfolio revenue

$38.1m
Property-related revenue
(incl. licenses, land sales and rental)

$9.1m
Other revenue

VicTrack
2014-2015 major achievements

Supporting new e-class trams –
including fibre and transmission services to new substations at Brighton East, Fitzroy, Royal Park and Elizabeth Street

METRO

MTM Training Centre –
video conferencing, Unified Communications, audio visual systems, WAN services and new fibre optics to facilitate services

Waurn Ponds (Geelong)

Epsom (Bendigo)

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New stations

$99.2m
Recurrent revenue

$26.4m
Surplus

Regional Rail Link

Completed largest ever network migration and designed, installed and test 600+ new customer services

Geelong Station Disability Access –
$7 million upgrade – New lifts, stairs and ramp to improve connections to platforms, and upgraded toilets and ticketing counters

yarra trams

Relocation Yarra Trams hub – to a single CBD location with Unified Communications and vital telephony

V/Line

$63m

Regional Rail Communications Network – Replacing V/Line's existing obsolete technology with a digital system; due for completion 2016

$20m

Transmission network for Digital Train Radio System

Including two data centres, four operational sites and transmission network between 100 base stations

Integrated Transport Network –
business case approved to replace seven legacy systems with one high capacity telecommunications network, with completion by 2019

23 Level crossing upgrades

STATION PRECINCT ENHANCEMENT PROGRAM

IKON KINGSWAY I GLEN WAVERLEY
- **Completed** *Winner PIA Excellence Award, From Plan to Place*

JEWELL STATION PRECINCT
- **Developer appointed NeoMetro**
- **Plans submitted to Council**

HAMPTON STATION PRECINCT
- **Developer appointed epc.Pacific**

Environmental management

40 sites assessed, asbestos removal at five major sites and surveys on 150 W-Class Trams

- Refurbishing heritage buildings for community use
  - 11 buildings renovated
    - 2 sites underway
      - 2 sites in pipeline

Community Use of Vacant Rail Buildings Program

Our assets

$28.5b

Total assets

$7b
Track

$2.9b
Rolling stock

$5.1b
Stations, bridges, buildings and structures

$3.1b
Signalling and communications

$2.4b
Other assets under construction

$4.4b
Land (reserved for transport use)

$1b
Plant and equipment (incl. MYKI)

$2.6b
Melbourne Underground Rail Loop

Note: The movements in the value of assets in the past year have been driven by an asset revaluation that took place in 2014-15. In addition, there was some reclassification in the reporting between the Melbourne Underground Rail Loop and Signal and Communications.

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About VicTrack

At VicTrack, we support the Victorian Government's agenda to improve public transport outcomes. As Victoria's largest titled land holder, with its second largest fibre optic network, our focus is adding value to the sector with purpose fit solutions, that meet growing demand.

VicTrack a snapshot

We remain a vital link in core public transport services, and a key partner to government agencies working towards a thriving Victoria.

As the State's public transport asset owner, VicTrack holds a diverse portfolio of property, rail and telecommunications assets. We are a statutory corporation established under the *Transport Integration Act 2010*, and a state-owned enterprise with an independent Board, which reports to both the Minister for Public Transport and the Treasurer.

Since we began in 1997, we've remained largely self-funded as the owner of Victoria's railway land and associated infrastructure, and much of its rolling stock via Rolling Stock Holdings.

Our assets are primarily leased via Public Transport Victoria (PTV) to Victoria's rail and tram operators, who are responsible for public transport services and ongoing management of the assets. The telecommunications infrastructure that underpins our transport network is operated by VicTrack and leveraged to deliver telecommunications services to other government agencies.

Our network partners

VicTrack works closely with PTV, the Department of Economic Development, Jobs, Transport and Resources (DEDJTR), Department of Treasury and Finance, public transport franchisees, telecommunications carriers, VicRoads, local councils and a broad range of other stakeholders and community.

24hr Network Operations Centre.

Our core functions

- Deliver telecommunications to support the operations of the public transport network
- Custodian of land set aside for transport purposes
- Dispose of or develop land surplus to transport requirements
- Provide civil engineering services to maintain and upgrade transport infrastructure
- Support rail freight by managing the open access Dynon Rail Freight Terminal

We fulfil our social obligations through restoration of heritage buildings, environmental activities and providing more than 400 leases at non-commercial rates for community groups and local councils.

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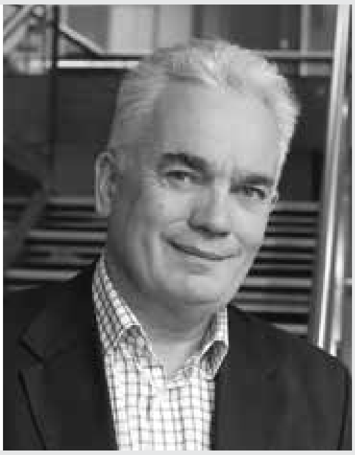
Chairman's report



As the newly appointed Chairman in April 2015, it is clear to me that VicTrack has a critical role in the long-term development of Victoria, with public transport and freight services as a cornerstone to a thriving state.

The Board and Executive have continued this year to respond to a fast pace of change while continuing to deliver core services to transport.

As my work gets underway with the Board and Executive on setting the course for VicTrack's future, our focus remains on the potential of the transport network to return more to all Victorians. It requires a long-term approach to asset management, while delivering strategic improvements that support the Victorian Government's significant transport agenda.

This year, the government made its ongoing commitment clear with the announcement of the separation of road and rail at 50 of Melbourne's most congested and dangerous level crossings. VicTrack has already begun work with the Level Crossing Removal Authority to advise on the design of the telecommunications infrastructure, and ways to create significant value capture through the level crossing program. With extensive experience in rail corridor and transit-oriented developments, we will continue to leverage our expertise to advise on station precinct improvements that will benefit commuters and communities – and find ways to maximise the State's assets.

Meeting the broader challenges of growing demand on the transport network was recognised by the Board, with the endorsement of the Integrated Transport Network (ITN) – which will upgrade seven outdated legacy telecommunications systems into a single carrier grade network. The decision recognises Victoria's need to keep pace with the state's development and ensure a world-class transport system that continues to support the state's liveability. We also want to give our transport sector partners greater certainty that the underlying infrastructure can meet the growing demands of the network and improve operational, service and safety standards. The challenge in the ITN roll out will be its integration into major transport initiatives, which we continue to work in alignment with.

An ongoing focus on collaboration with our many different stakeholders remained crucial over the past year and will continue to be a critical element of our success into the future. With significant opportunities to work across the portfolio on issues ranging from the refranchising process, set to be finalised in 2017, to how we best manage and maintain the State's vast transport assets.

Chairman's report (cont.)

Building on our effectiveness in service and project delivery also continued to gain momentum this year, as we delivered on a large number of transport infrastructure projects. Again, the effective collaboration and knowledge sharing with private and public sector partners has led to successful landmark outcomes for the State – such as the completion of the Regional Rail Link, the delivery of new stations for the network, significant urban renewal projects and the near completion of mobile coverage into the Melbourne City Loop.

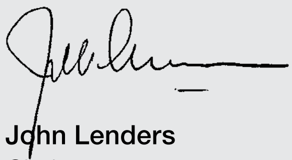
I would like to thank all those who have worked with us to deliver these key achievements, and have continued to support our efforts to reinvest in a robust and agile transport system, delivering more to all Victorians.

I would like to particularly acknowledge the Minister for Public Transport, Jacinta Allan and Treasurer Tim Pallas for their renewed commitment to a thriving transport network.

I would also like to thank my fellow Board members for clear, decisive and effective leadership as they've undertaken significant work in their roles on the Board and its sub-committees. With clarity of purpose, we will continue together to implement key strategies that deliver on stakeholder outcomes, business performance and our people – to drive a sustainable and profitable business.

Our focused workforce under the leadership of Chief Executive Cam Rose is particularly encouraging to me, and gives me great confidence in our organisation's ongoing success.

I look forward to working with all our stakeholders as I continue to grow my own knowledge of the sector's unique challenges and opportunities, alongside the Victorian Government, the Department of Economic Development, Jobs, Transport and Resources, PTV, franchise operators and other authorities. VicTrack remains committed to working towards delivering global standards in public transport for every Victorian.



John Lenders
Chairman

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Chief Executive's report

Our focus in 2014-15 has been to support the Victorian Government's significant transport agenda, to deliver purpose-fit solutions that deliver improved transport outcomes for all Victorian's.

In 2015-16 VicTrack will ensure even greater alignment of our objectives and resources with the State's significant major transport initiatives.

As the infrastructure asset owners, our diverse organisation has a pivotal role in the State Government's renewed commitment to a world-class transport system. We're working to support the delivery of an international-style metro system under the Melbourne Metropolitan Rail Project and the removal of 50 level crossings in Melbourne to improve traffic flow and safety. We'll also support the extension of the South Morang Line to Mernda to accommodate population growth, and the introduction of all night public transport on weekends – Homesafe – to improve safety. These projects have set a clear agenda for VicTrack to shape its business towards Victoria's transport future, while continuing to deliver core telecommunications services to Metro Trains Melbourne (MTM), Yarra Trams and V/Line, and manage our significant property portfolio in the rail corridor.

We are focused on contributing our resources, knowledge and expertise to help ensure these projects succeed. VicTrack is already working with the Level Crossing Removal Authority on the removal of 50 metropolitan level crossings. We will work collaboratively to see the value capture opportunities realised, in addition to ensuring the telecommunications network is successfully transitioned and upgraded. We also have good relationships established with the Melbourne Metro Rail Authority and are working collaboratively on the early stages of the transformative project.

With such an ambitious capital investment program in mind, it was timely for VicTrack to review its telecommunications delivery model, to ensure it was able to support the changing landscape of public transport. In late 2014 the VicTrack Board commissioned an independent review of our core telecommunications services to MTM, Yarra Trams and V/Line. The review assessed our role in managing the telecommunications network and infrastructure, and explored the provision of services to the wider government sector.

VicTrack's telecommunications infrastructure is critical and delivers: train signalling and train control, train radio communication, CCTV collection and storage, passenger information displays, power distribution control and operational control systems. Many of these services rely on legacy networks, some installed in the 1950s. Based on the recommendations of the independent review of our telecommunications business, we have launched a significant project called the Integrated Transport Network (ITN). The ITN will overhaul the seven legacy systems that form the backbone of the transport telecommunications network into one Internet Protocol (IP) high capacity network. Once completed, the ITN will achieve 99.99 per cent reliability,

Chief Executive's report (cont.)

underpinning the reliability of the telecommunications system servicing transport sector. It will minimise the number of telecommunications-based service disruptions, provide a platform for future high-capacity signalling and multi-modal communications, and increase the security of the network in any crisis situation. In 2015-16, the project will commence, as it is integrated into the major transport initiatives of the Victorian Government.

Over the past year we delivered key transport infrastructure, including two new stations at Epsom (Bendigo) and Waurn Ponds (Geelong), and made significant improvements to disability access at Geelong Station. As part of the $3.65 billion Regional Rail Link project, we completed one of VicTrack's largest telecommunications and property services programs. Further we continued improving level crossings, with 26 upgraded to make travel safer for Victorians.

We reached milestones in two development projects where we partnered with the private sector to redevelop strategically positioned, but underutilised land in the rail corridor. For example, the award-winning IKON Glen Waverley project and station forecourt upgrade that was completed in early 2015 – which won a Planning Institute Australia Award for Planning Excellence at state level and was recognised with a commendation at the national level. With proceeds from this and similar projects reinvested into station precincts, we have now announced a development partner at Hampton Station and the Jewell Station project in Brunswick.

Throughout the year, we worked closely with our transport partners on a series of projects, including the relocation of Yarra Trams and MTM to new single, centralised CBD locations. Each business required leading Unified Communications (UC), upgraded fibre optics, and other telecommunications services. The completion of a new $20 million transmission network for Digital Train Radio Systems (DTRS) also marked major improvements to the network, with VicTrack supporting Nokia Siemens over the six years of the project.

The state's rail heritage remains a priority for VicTrack, with $1.5 million spent throughout the year to preserve valuable community assets. As the owner and the custodian of the iconic Flinders Street Station, we also gave our commitment to the Victorian Government's $100 million redevelopment of the ageing asset. VicTrack is part of the project steering committee, led by Major Projects Victoria which will in partnership with PTV and MTM oversee $77 million in station upgrades and $23 million in building restoration works.

The strengths of our people to meet the challenges faced by the sector provide me with great confidence – and it is with optimism, we look ahead as an organisation. We will continue to work closely with all our stakeholders to ensure transport outcomes are delivered that support Victoria's transport networks both regional and metropolitan.

Lastly and most importantly, I wish to acknowledge and thank the dedicated management team and staff that make VicTrack the organisation that it is.

Campbell A. Rose
Chief Executive

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Core functions and business groups

VicTrack's structure is made up of three specialist business groups – Telecommunications, Property and Rail, Road & Freight – which are supported by our Corporate Affairs and Business Services teams.

Telecommunications

The group's responsibilities include:

- Managing a telecommunications network of fixed fibre optic and copper cabling and a substantial wireless network
- Supplying rail and tram operators with a diverse range of telecommunications services
- Working in partnership with PTV to deliver critical communications projects
- Leveraging surplus network capacity to improve broadband access for the government sector

Property

The group's responsibilities include:

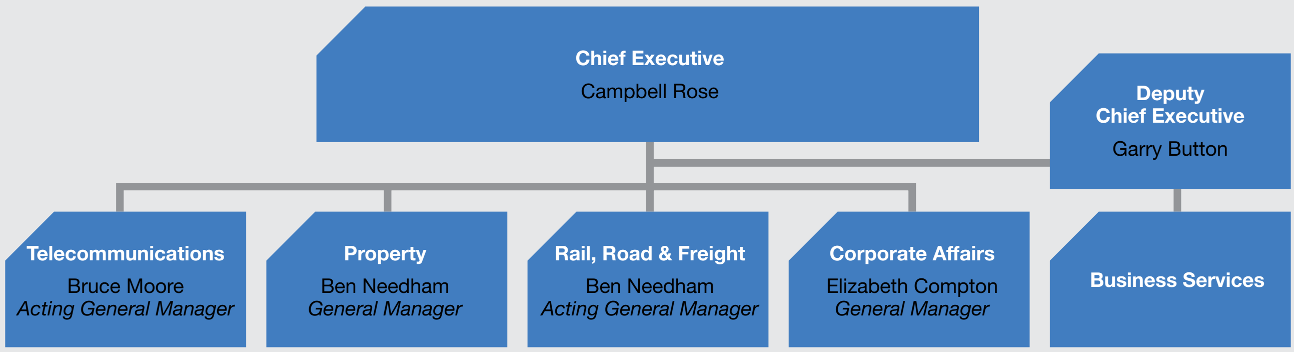
- Commercial, community and other leasing
- Station Precinct Enhancement Program, which facilitates the development of underutilised land assets to improve access, safety, security and amenity at station precincts
- Licensing third parties to access land within the rail corridors
- Land management, including land disposals, tenure and records
- Maintaining infrastructure and property that is not leased to other parties
- Managing heritage buildings and rolling stock assets
- Maintaining and improving the yield of VicTrack's outdoor advertising portfolio
- Managing environmental obligations including contaminated land

Rail, Road & Freight

The group's responsibilities include:

- Managing the Victorian Government's Statewide Level Crossing Upgrade Program (which includes the *Disability Discrimination Act 1992* upgrade program) and the Fix Country Level Crossings Program on behalf of PTV
- Administering the Australian Level Crossing Assessment Model (ALCAM) system and database, and managing a program of level crossing safety research and development
- Constructing new stations, bridges and other rail infrastructure and upgrades to existing stations, car parks and other assets
- Delivering rail-related projects for VicRoads and local councils
- Managing the Rail Skills Centre – Victoria
- Improving VicTrack's safety systems and maintaining Rail Safety Accreditation
- Managing and developing key rail-based sites in Melbourne and providing rail track access to strategic central Melbourne areas, including the open access rail Dynon Freight Terminal

Core functions and business groups (cont.)



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

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Outcomes report

Each year VicTrack works to improve how Victorians move and connect. We drive improvements to the telecommunications network and transport assets to bring people together in more liveable communities with safer, better transport infrastructure.

Targeted improvements to transport system assets

In 2014-15, we continued to maintain and leverage the transport portfolio, and look for opportunities that strengthen the network and its capacity to return more to public transport.

Strengthening the network

Integrated Transport Network

VicTrack has developed a plan to upgrade Victoria's public transport telecommunications infrastructure, in conjunction with other major projects. The Integrated Transport Network (ITN) will transform the telecommunications network from seven legacy systems to a single modern internet protocol network. The infrastructure underpins Victoria's transport network and delivers:

- Communication links between train controllers with train drivers
- Signalling communications for transport operators
- Control of power distribution
- Connection for station CCTV, Myki, passenger info displays, security monitoring, telephony.

The proposed project was the result of an independent strategic review in 2014 by Ernst & Young.

The new ITN has been developed in line with modern standards-based technology already deployed globally and into Queensland and NSW.

It will also provide telecommunications capabilities for other public transport initiatives allowing multi-modal connections between all modes of transport. VicTrack has worked closely with PTV, DTF, DEDJTR and the operators to develop the project.

One reliable and resilient network will:

Improve customer experience	Reduce passenger delays	Improve network security

Supporting growing demand

Meeting future demands on public transport and improving safety and reliability were the focus of a raft of core transport services projects delivered by VicTrack this year.

Digital Train Radio

A new $20 million transmission network for Digital Train Radio System (DTRS) across Melbourne came into operational service in September 2014 – with VicTrack supporting Nokia Siemens over the six years of the project for PTV. VicTrack was

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MTM state-of-the-art training centre

VicTrack helped deliver a state-of-the-art training centre for MTM, who required capabilities for virtual and remote learning.

The MTM Training Academy in Kensington required video conferencing, audio visual systems, Unified Communications and WAN service, along with new fibre to facilitate services.

The solution was made more cost efficient by providing MTM with advanced, high quality room-based multi-party video conferencing as a service, which enabled MTM to avoid purchasing specialised equipment and expensive infrastructure. VicTrack continues to manage the infrastructure to support video streams from a range of endpoints.

responsible for the provision of a diverse and secure transmission network between 100 base stations, four major operational sites and two data centres in metro and regional areas – under 24/7 control of the VicTrack Network Operations Centre. The project significantly expanded VicTrack's fibre network, including into the Melbourne Underground Rail Loop, to provide mobile phone coverage for commuters.

Supporting new E-class trams

As part of the Tram Procurement Program, 70 next generation E-class, low floor trams are being delivered to Melbourne. The trams are larger and wider, with a 210 passenger capacity, and are fitted with CCTV, air conditioning, external cameras, and improved passenger comfort.

The release of new trams by Yarra Trams demanded new power substations, with new fibre optics assets and telecommunications services delivered by VicTrack.

The work included fibre and transmission services to new substations at Brighton East, Fitzroy, Royal Park and Elizabeth Street substation, along with data services with 3G redundancy to sites.

Moving Yarra Trams and MTM

The relocation of the Yarra Trams PTV hub to a single Melbourne CBD location from the South Melbourne Operations Centre and Carlton Power Centre also took place during 2014-15 – with VicTrack supplying vital telephony and Unified Communications (UC). The work included integration of the VicTrack UC solution with the new ACOM Radio Dispatch System and Qmaster™ call queuing system to enable trams to communicate back to the operations centre.

The move by Metro Trains Melbourne (MTM) to a single location at 700 Collins St from two other CBD locations also demanded new Unified Communications, along with diverse wide area network (WAN) and operational control systems – which took place over three deployments across three levels of the building. New fibre optic cable was installed to support the new services.

Working in the City Loop.

Mobile phone coverage in the loop

The first phase of mobile phone coverage in the Melbourne Underground Rail Loop progressed to near completion during 2014-15.

Although there were challenges faced working in the live operational rail environment, VicTrack was able to complete about 80 per cent of Phase 1, which is set to deliver 3G wireless services by the end of 2015, ahead of the delivery of 4G services (Phase 2) in 2016.

Targeted improvements to transport system assets (cont.)

Major milestones for the year included VicTrack's approval of the lead carrier Optus' design solution, along with power and transmission works, access location preparatory works, and the installation of the lead carriers' communications services equipment.

In June 2015, VicTrack and carriers Optus, Telstra and Vodafone Hutchinson Australia formally entered into the Distributed Antenna System (DAS) Agreement for a 20 year term.

Phase 2 will provide a full solution that requires substantial DAS augmentation and the required technologies for all the carriers to provide both 3G and 4G wireless services.

New stations at Epsom and Waurn Ponds

For the first time, VicTrack has designed and delivered two new award-winning stations, which were both delivered ahead of time and budget.

The projects included a $7 million station at Epsom on the Echuca line, along with enhancement works at Eaglehawk Station, and a $15 million station, known as Waurn Ponds, on the Geelong to Warrnambool rail corridor at Armstrong Creek.

Waurn Ponds was delivered beyond its original scope as a category 3 commuter station and was completed as a Premium 1 Station, with parking up from 200 to 390 spaces and gravel space for a further 200 cars. A new substation for station power supply was also added to the original scope.

Completed on 7 October 2014, the 180m platform station included a heated and air conditioned station building with fully enclosed waiting room and booking office, along with information displays and provision for a future 60m extension. All associated track works and a new computer based signaling extension from Marshall Railway Station were part of meeting the new station's operational needs.

Epsom Station was finalised in October 2014, delivering commuters a new 160m platform, with 100 car parking spaces, bike hoops and all necessary track works to accommodate the new station. The project also included all lighting, ticketing, landscaping, additional signalling and added a bus bay at Station Street along with a disability access compliant ramp at Eaglehawk Station and a train driver's footpath.

Delivered on time and budget without disruptions to V/Line services and without incident or injury, the project was recognised by the Australian Institute of Building at the Professional Excellence in Building Awards for 2015.

Partnering with Victoria's Regional Rail Link

VicTrack completed one of its largest telecommunications network and property services programs to help finalise Victoria's $3.65 billion Regional Rail Link (RRL) project during 2014-15.

VicTrack supported property, environmental and telecommunications at the newly built Tarneit Stations.

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As part of Victoria's largest public transport infrastructure project ever, VicTrack worked as the land manager and telecommunications provider for the duration of the project – which commenced in 2009 and set out to increase reliability, capacity and reduce bottlenecks by separating regional and metropolitan trains in Melbourne's west.

Completed well ahead of time and under budget, the first passengers commenced using the new rail line on 21 June 2015 – with the project adding to earlier achievements, including the 2015 Gold Quill Award for Excellence in Community Relations, and Australian Construction Achievement Award 2015 (one of the construction industry's most prestigious).

Upgrading Regional Rail Communications

Major milestones achieved in the Regional Rail Communications Network (RRCN) this year have pushed the project forward, with the majority of the work expected to be completed as early as 2016 – well ahead of the original 2018 completion date.

The $65 million project is replacing V/Line's existing obsolete Non-Urban Train Radio (NUTR) system, with a modern digital system, to enable better network control and improved reliability. Deployment of train controller capabilities was advanced to near completion during the year and installation onto 25 per cent of the train fleet was completed. The aged NUTR system has continued to be turned off in stages, as RRCN capability replaced old systems on trains in regional areas.

VicTrack's RRL scope

Telecommunications scope:

- Relocation of all fibre and copper infrastructure, Southern Cross Station to Deer Park corridor, into one service route (19 km)
- Installation of a new 144 fibre optic cable the length of the new rail line
- 600+ new customer services, 355 new managed Ethernet (data) services and 250 new dedicated fibre services
- Move and consolidate Sunshine Signal Equipment Room services into a new dedicated VicTrack Communications Equipment Room

Property scope:

- 45 Lease Alteration Deeds executed, creating about 640 new land parcels
- 69 vacant lots licenced for the project, with 54 hand backs to VicTrack and 15 still in progress
- 30+ commercial and community leases changed
- 70 ha of new leasing opportunities soon to be available
- 400+ third party service applications being processed
- Various environmental issues addressed
- Review of about 20 new bridge structures

Growth strategy at Dynon Freight Terminal

An independent options analysis of the Dynon Rail Freight Terminal completed in June 2015 has identified further growth opportunities for the facility, with recommendations for the strategic targeting of selected freight segments.

The Dynon Freight Terminal in West Melbourne is Victoria's only open access freight terminal, which provides all rail and road users the opportunity to make use of the facility. VicTrack operates the terminal, which is 'declared infrastructure' regulated by the Essential Services Commission.

The report revealed the terminal had delivered strong returns, based on current container throughput of approximately 130,000 twenty-foot equivalent units (standard measure for freight volumes).

Based on the report, VicTrack will target selected freight markets to increase container throughput at Dynon, before investing in further upgrades.

Improving information for V/Line customers

Many regional V/Line passengers will benefit from services equal to those in metro Melbourne following the roll out of regional Passenger Information Display Systems (PIDS) by VicTrack across 33 stations. The PIDS advise passengers of train running and timetable information using automated electronic displays, announcements and customer help points. Deployment commenced in early 2015 and is expected to go live by late 2015.

Integrating transport and urban renewal

Revitalising communities through transport-oriented developments has delivered landmark projects during 2014-15 and award-winning urban renewal projects.

Revitalising stations and communities

Bringing Victorian station precincts to life and improving commuter journeys remained a key priority for VicTrack this year through its Station Precinct Enhancement Program (SPEP) – with four projects progressed at Glen Waverley, Brunswick, Hampton and West Footscray.

First SPEP completion at Glen Waverley

The first SPEP project was completed at Glen Waverley in 2013 with practical completion of the station forecourt work on 3 September 2014.

The $70 million project delivered in partnership with developers Consolidated Properties included: eight levels of apartments, one level of strata offices, ground level retail and two and a half levels of basement carpark.

Proceeds from the development funded $2.56 million of station forecourt works to improve the precinct amenity and commuter experience.

The project was identified as an exemplar transit-oriented project within Plan Melbourne, and received industry accolades from the Planning Institute of Australia.

Brunswick's new Jewell

Community consultation for the new Jewell Railway Station precinct upgrade was completed and feedback was incorporated into the town planning application lodged with Moreland City Council in June 2015 – after having signed the development agreement with Neometro earlier in the year. Neometro was the successful developer appointed, from 22 submissions after an extensive procurement process, based on its clear understanding of key issues and vision for the heritage station.

The project plans include two residential development sites, the relocation of the commuter car park to Craigieburn and a $1.5 million investment into creating safer, more activated facilities and spaces that reflect Brunswick's eclectic local character.

Consensus on vibrant Hampton village

The Hampton project was brought from inception to market in the record time of eight months this year, through a large collaborative effort with the transport sector and state and local governments – with the development deed signed by epc.Pacific in December 2014.

As a collaboration between VicTrack and the Department of Health and Human Services, the project will include new for old replacement of 16 public housing units and about 230 apartments to be offered for private sale.

Approximately $4 million will be invested in transport improvements – including a new station forecourt,

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Glen Waverley station retail forecourt

car park, bus interchange and other station upgrades.

Successful consultation during 2014-15 delivered stakeholder consensus on a unique urban village that adds to Hampton Street's vitality, offering diverse housing and a safer, more accessible transport hub. epc.Pacific's shared outlook on the project secured its bid from more than 20 interested parties.

West Footscray first steps

The first steps in assessing opportunities near the recently redeveloped West Footscray station began in 2014-15 – in recognition of the fast moving urban renewal in the area.

The 5047sqm site near the north east corner of the station is currently Crown land vested in VicTrack. PTV provided the functional requirements for future transport demands and DEDJTR approved the land clearance. A detailed feasibility report is underway.

New Elsternwick community asset

The transformation of the former Elsternwick Rifle Range into a quality retail property is now a step closer, with planning approval secured in 2014-15.

VicTrack worked with the successful consortium, The Vaults Pty Ltd, and architects 6 Degrees to redevelop this once derelict property into a vibrant café/restaurant set within an iconic heritage building, with views over adjacent parkland.

The Vaults Pty Ltd were appointed as the tenant in 2014, as a group known for delivering quality food and beverage venues such as Riverland, Boat Builders Yard and the Wye River General Store.

The project was universally supported by councillors, traders and community with no objections received during advertising of the planning permit. Construction completion is expected by June 2016.

Integrating transport and urban renewal (cont.)

Local Government Strategic Land Review

The first steps to align VicTrack land development opportunities with local council goals began this year under the Local Government Strategic Land Review.

VicTrack commenced reviews at four municipalities, including City of Yarra, City of Brimbank, City of Maribyrnong and the City of Darebin, as part of a wider metropolitan strategic land review.

The main focus of the work has been to examine VicTrack landholdings within municipalities to better enable alignment with council policies and facilitate developments that benefit both groups.

Identifying community benefits both at the site and to the wider community was considered crucial to success, while strengthening relationships and building VicTrack's reputation as a valuable development partner was also a significant part of the work.

Work with the City of Yarra was expected to conclude by September 2015, with Darebin, Brimbank and Maribyrnong likely to be completed within 12 months.

Newport Strategic Review

VicTrack and PTV are working collaboratively to determine the future of the Newport Workshops and assets, with the establishment of a working group to assess transport needs into the future.

The Newport Workshops site includes a mix of modern train maintenance facilities and heritage listed workshops. The purpose of the review is to set the future direction of all assets on the site to enable and inform asset management decisions into the future.

Community Use Program

Victorian communities continued to benefit from the refurbishment of disused railway buildings this year under VicTrack's Community Use of Vacant Rail Buildings Program – a four year program funded by PTV under the Victorian Government.

Work was completed and buildings handed to tenants at seven locations. Work also began at two other locations, and a further two projects were also identified. As part of the program, communities also receive subsidised rent, utilities and other expenses for the first year.

The disused goods shed at Chiltern Station was transformed into a thriving tourism, cycling and arts hub through the Community Use of Vacant Rail Buildings Program. The refurbished building has an office space and kitchen, bicycle hanging system, lockers and external shower and toilet block.

Close to $1 million was invested in Beaufort to create a purpose-built community arts hub and steam engine era museum in the former station and goods shed buildings. VicTrack also completed a makeover of the signal box, restored the station canopy and repainted the breezeway to enhance the overall visitor experience.

During May 2015, four projects were completed. At Donald Station, the building was leased to Donald 2000 Inc. for a rail museum preserving local heritage through rail memorabilia. Project partners included the Lion's Club of Donald, Natural History Group, Community Bank, Men's Shed and Chamber of Commerce and Tourism.

The heritage listed building at Wycheproof Station was set for use by Wycheproof Vision Inc. as a multi-functional arts, education and cultural hub with flexible display and meeting spaces in collaboration with the Wycheproof Community Resource Centre.

After a number of years campaigning by locals to save their station, Yarrawonga Mulwala Development Inc. also took possession of the refurbished Yarrawonga Station building to operate a multi-purpose gallery, exhibition and community use space.

Newstead Station will be operated by Newstead 2021 Inc. through a head lease to Mount Alexander Shire Council to operate a community arts/business hub in collaboration with Newstead Salon and Friends of Newstead Station. The project was considered a positive opportunity to bring together the east and west side of the township and improve the western town entrance.

The refurbished Chiltern Station goods shed.

May 2015 also saw two new projects launched at Clunes and Trafalgar stations. Creative Clunes Inc. is expected to take possession in late 2015 to operate a cultural hub aimed at bolstering cultural tourism and providing an environment that promotes books, writing and ideas through the Booktown Festival events and related activities.

Trafalgar Station also got underway with Baw Baw Arts Alliance expected to take possession in September 2015 under a lease with Trafalgar and District Financial Services (Bendigo Community Bank) – to operate a multi-functional community arts hub, including; a large workshop, studio and learning spaces, gallery exhibition and display space focusing on fibre arts, performance space and flexible community meeting space.

In June 2015, the Minister for Public Transport, Jacinta Allan officially opened the revitalised buildings at Inglewood Station and Goods Shed. The project delivered Inglewood and Districts Health Service more consulting rooms to provide additional health services to the community, while Workspace Australia took up residence at the Goods Shed to operate as a business incubator, and as a community space for groups like Goldfields Choir.

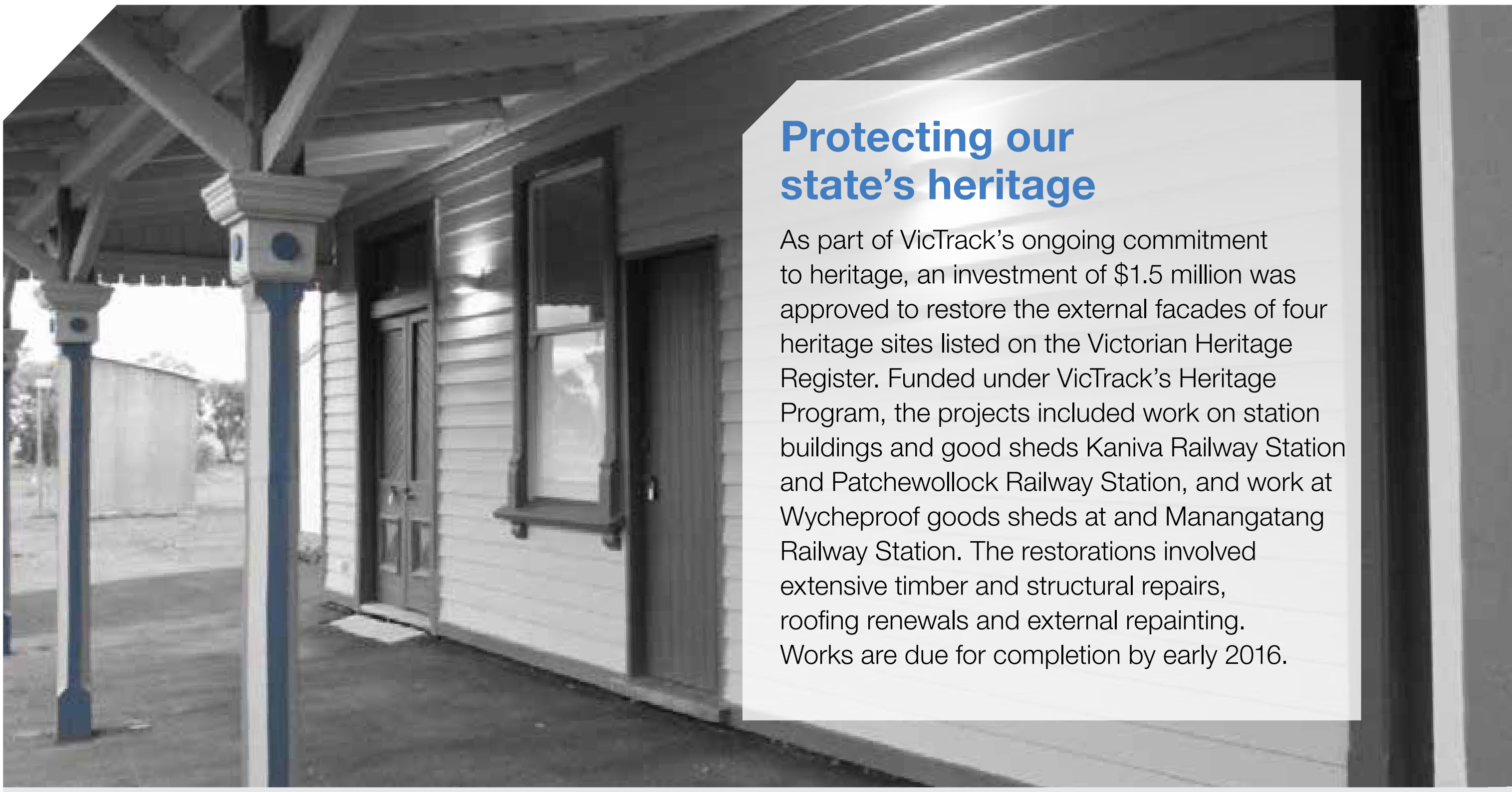
Birchip Lions Club was set to take possession of Birchip Station to provide a permanent and flexible community event, exhibition and display space to be jointly managed with Birchip Historical Group and Birchip Landcare Group. Restoration of the station building recognises one of the few remaining historically significant public buildings in Birchip.

Works have gone to tender for the final two sites to be delivered under the Community Use Program – for completion in late 2015. Dunkeld Progress Association Inc. aims to provide studio based working and learning opportunities and gallery, discovery and exhibition space to build the profile of individual local artists and increase community connectedness and participation in the arts by the wider community. At Gordon, the Australian Railway Historical Society Victorian Division Inc. aims to provide flexible and affordable small group meeting space to enable wider community access and preservation of the heritage listed rail site.

Community Use of Vacant Rail Buildings Program

Location	Community Use	Completed
Chiltern	Tourism, cycling and arts hub	October 2014
Beaufort	Community arts hub and steam engine museum	October 2014
Donald	Rail museum	May 2015
Wycheproof	Arts, education and cultural hub	May 2015
Yarrawonga	Gallery, exhibition and community space	May 2015
Newstead	Community arts and business hub	May 2015
Clunes	Cultural hub	Underway
Trafalgar	Art, education and community space	Underway
Inglewood	Health consulting rooms, business and community space	June 2015
Birchip	Community event and exhibition space	Underway
Dunkeld	Gallery, discovery and exhibition space	Underway
Gordon	Community meeting space	Underway

Integrating transport and urban renewal (cont.)



Protecting our state's heritage

As part of VicTrack's ongoing commitment to heritage, an investment of $1.5 million was approved to restore the external facades of four heritage sites listed on the Victorian Heritage Register. Funded under VicTrack's Heritage Program, the projects included work on station buildings and good sheds Kaniva Railway Station and Patchewollock Railway Station, and work at Wycheproof goods sheds at and Manangatang Railway Station. The restorations involved extensive timber and structural repairs, roofing renewals and external repainting. Works are due for completion by early 2016.

Wycheproof Station goods shed.

Land sales ahead of target

Property land sales exceeded targets this year to achieve $9.5 million, with a further $6 million under contract for settlement in 2015-16. The range of sales across the state, included both metropolitan and regional locations.

Commercial terms were also reached with the purchaser for the sale of air rights over the Spring Street entrance of Parliament Station. This sale will provide an additional $1.8 million worth of station entrance improvements at no cost to government.

The land sales program also facilitated broader government and community initiatives, including the development of a new community library in Moe and a social housing project for homeless women and children in Coburg.

Unlocking potential at Ringwood

VicTrack is leading the process to unlock potential of the North West Development Site (NWDS) in Ringwood, and facilitating broader government outcomes on behalf of the joint land owners which include VicTrack, Places Victoria and Planning Department. The development of the site is crucial to the transformation of the Ringwood major activity centre. An offer was negotiated with developer QIC and terms were signed by all parties in June 2015, coinciding with a $66 million State Government investment into the redevelopment of the station and the $665 million redevelopment of the adjoining Eastland Shopping Centre by QIC.

A total of 30 land sales were completed, which led to a result of $2m above the projected $7.5m target for the year, allowing additional funds to be reinvested back into transport upgrades.

Leasing portfolio outsourced

VicTrack's efforts to drive a more efficient property portfolio took a major step forward during 2014-15, with a market-wide tender to outsource property management of the entire commercial leasing portfolio.

With 500 leases already in place, Brookfield Global Integrated Services (BGIS) made the successful bid to take over the management of VicTrack's entire 1400 commercial leases. A three month transition took place over the period August – October 2014.

Total revenue for the year reached $24 million, much of which has been reinvested into transport infrastructure by VicTrack managing its significant custodial obligations in this area.

Car parks growth strategy

Moves to grow VicTrack's car park portfolio were set in motion in 2014-15 with the successful management services tender for the provision of 10 metro pay and display car parks, and a review of further opportunities underway.

The Car Park Management Services Contract tender was released to market in September 2014, and awarded to Care Park Pty Ltd on 1 November 2014, with inclusion of performance indicators that set goals to grow the portfolio and revenue over the term of the contract.

VicTrack and Care Park have now begun a strategic review of land holdings in metro and regional Victoria for other pay and display car park locations, with the aim of developing six new car parks annually.

Billboards to achieve $5m

As part of ongoing efforts to grow VicTrack's Billboard portfolio to $5 million in revenue by 2017-18, VicTrack submitted and secured approval on eight planning applications during 2014-15.

The approvals covered four new large format billboard sites and the redevelopment of another four sites, with construction now underway at all sites, and expected to be finished by the end of 2015, pending building and related approvals.

The work forms part of broader objectives to grow revenue in the portfolio over the term of Roadside Billboard Advertising Services Tender contract, which was awarded to QMS Rail Media Pty Ltd in November 2013.

VicTrack billboards are adding value to the portfolio.

Environment and sustainability management

Environmental management plays a major role in VicTrack's operations as Victoria's largest titled land holder. We work to conserve and protect areas with significant ecology, and manage contaminants at our sites.

Removal and improvement

In 2014-15 VicTrack completed assessments at more than 40 sites to assess potential environmental or health risks due to land contamination from historical land use or poor environmental management practices. Any contamination identified is managed in accordance with VicTrack's Contaminated Land Management Plan.

Asbestos management during the year largely focused on the removal of asbestos in buildings and soils to improve safety and reduce ongoing management into the future – with works undertaken at Newport Workshops, Queenscliff, Sunshine, Seymour, and Elsternwick.

Asbestos surveys were completed on 14 buildings at seven sites as part of VicTrack's five year asbestos survey program – and surveys were also undertaken on more than 150 W-Class Trams located at the Newport Workshops. Asbestos risk is managed in accordance with current OHS regulations, and VicTrack maintains an asbestos register, which uses a risk matrix.

Groundwater remediation works commenced at the South Dynon Rail Yards to safely remove diesel contamination beneath the site, with works including construction of a trench and the trial of two groundwater remediation approaches (skimming and total fluid recovery). Following the trial, active remediation continued for six months, removing over 10,000L of contaminant liquid from the groundwater, which was sent to a facility for recycling.

Working with the Regional Rail Link Alliance (RRLA), VicTrack was able to reuse 250,000m^3 of contaminated soil generated from Work Package C works of the Regional Rail Link Project. The Tottenham site was transformed into a valuable parcel of land, after having been in a poor condition with inadequate drainage and uncontrolled weed growth. RRLA, local council and VicTrack also worked together to build a dedicated bike path from the Western Ring Road into Tottenham.

Revegetation efforts continue.

Care and management

We continued our work with Landcare Australia during the past year to conserve fragments of some of Victoria's most threatened ecosystems, which sit within the 5,000kms of railway reserve managed by VicTrack. We have funded Landcare to undertake conservation works on sites with ecological values, and in some cases, we have developed management plans that support the conservation of these sites and preserve indigenous species. In 2014-15 funding went to three key projects:

- A program of revegetation, weed control, seeding, education and maintenance on the Bellarine Rail Trail, which provides a continuous link of indigenous vegetation between Geelong and Queenscliff and contains significant vegetation and diverse wildlife.
- Pest and weed control and revegetation to increase the environmental value of the Cowangie Rail Reserve, which is a prominent area of native vegetation on the Mallee Highway with significant woodland species and native grasslands.
- Weed removal along Coltons Road, Minhamite, which contains basalt shrubby woodland vegetation. Very few remnants of this vegetation class remain, making the site vital for the long-term protection of the area. One of the main threats to its preservation is the incursion of woody weeds, removal of which is a priority action.

2

Safer transport services and infrastructure

Driving continuous safety improvements in the public transport network ensures a more agile transport system that makes the most of our assets – and delivers more for all Victorians.

Supporting major projects

One of the State's largest infrastructure projects announced during the year was the separation of road and rail at 50 of Melbourne's most congested intersections. VicTrack has begun working closely with the Level Crossing Removal Authority to assist in both telecommunications and value capture opportunities presented by the projects.

Development consortiums have recognised improvement opportunities at several sites, with VicTrack providing advice and assistance to support outcomes.

The John Holland consortium has been awarded the contract for the removal of the first four level crossings at Burke Rd Glen Iris, North Rd Ormond, McKinnon Rd McKinnon. Leighton Contractors Consortium was awarded the contract for the next four projects at Main and Furlong roads in St Albans, Blackburn Rd Blackburn and Heatherdale Rd Mitcham.

A retail business case for St Albans was also approved by the Board, which allowed for the construction of new retail/commercial units at the new St Albans Station. Value capture opportunities will be considered at a number of the nine level crossings earmarked for works along the Cranbourne Pakenham line.

The Victorian Government is expected to complete 20 level crossing grade separations in the first term of government, and 30 in the second term – with an estimated $100 million in value capture.

Upgrades for safer crossings

Safer pedestrian and level crossings remained a priority this year, with renewed commitments from the State Government to continue targeting the repair and upgrade of roads and level crossings in regional communities.

Following the preparation of a business case, the Premier announced the $50 million Safer Country Crossing Program in February 2015. VicTrack has since been engaged by PTV to undertake the preliminary design work for the first two years of the four year program, which would upgrade 52 high-risk level crossings and 25 high-risk pedestrian crossings across regional Victoria, over four years. The works upgrade rail level crossings with boom barriers and flashing lights, while rail pedestrian crossings will be upgraded to automatic gates and latches on emergency escape gates.

Safer transport services and infrastructure (cont.)

Level crossing upgrades

During 2014-15 VicTrack delivered a total of 23 level and pedestrian crossing safety upgrades, including 15 under the State Level Crossing Upgrade Program and eight under the Fix Country Crossing Program, which was in its final year of a four year program. At the end of the year, the Fix Country Crossing Program was on track to surpass its target of 75 upgrades for $35 million, by delivering eight additional upgrades.

VicTrack also supported the Federal Government's Avenue of Honour project, which re-established a railway level crossing and associated passive pedestrian crossing at Remembrance Drive, Ballarat. The federally funded project was commissioned on 12 April 2015.

2014-15 State Road Level Crossing Upgrade Program

Location	Treatment
Down St, Longwood	Flashing lights to boom barriers
Taminick Gap Rd, Glenrowan	Flashing lights to boom barriers
Princess St, Drysdale	Give Way signs to boom barriers and flashing lights
Shanley St, Wangaratta	Flashing lights to boom barriers

2014-15 State Pedestrian Level Crossing Upgrade Program

Location	Treatment
Station St, Aspendale	Pedestrian Booms to automatic gates and EEGL*
Clayton Rd, Clayton (2 locations)	Pedestrian Booms to automatic gates and EEGL*
Hallam Rd, Hallam	Pedestrian Booms to automatic gates and EEGL*
Tooronga Rd, Malvern	Maze to automatic gates and EEGL*
Murray Rd, Preston (2 locations)	Pedestrian Booms to automatic gates and EEGL*
Warragul Rd, Mentone (2 locations)	Pedestrian Booms to automatic gates and EEGL*
Skye Rd, Frankston (2 locations)	Maze to automatic gates and EEGL*

EEGL* - Electromagnetic Emergency Gate Latch

2014-15 Fix Country Crossing Upgrade Program

Location	Treatment
Upper Flynn's Creek Rd, Flynn	Flashing lights to boom barriers
Flynn's Creek Rd, Rosedale	Flashing lights to boom barriers
Myrtlebank Rd, Montgomery	Flashing lights to boom barriers
Midland Hwy, Bagshot	Flashing lights to boom barriers
Kennedys Rd, Arcadia	Stop Sign to boom barriers and flashing lights
Pettavel Rd, Pettavel	Stop Sign to boom barriers and flashing lights
Evans St (Dingee Rd), Dingee	Give way to boom barriers and flashing lights
Mininera East Rd, Mininera	Stop Signs to boom barriers and flashing lights

Geelong Station night works.

ALCAM redevelopment

In February 2015, a $1.5 million project to enable an online web based level crossing risk assessment tool was completed. The Australian Level Crossing Assessment Model (ALCAM) system is used across Australia and New Zealand to identify key potential risks at level crossings, and is a key input into the prioritisation of road and pedestrian level crossings upgrades in Victoria. The online system provides stakeholders direct access to the ALCAM information which covers more than 20,000 level crossings across Australia and New Zealand.

VicTrack is now leading a project on behalf of the National ALCAM Committee to develop a number of training packages to support the expanded user base. Going forward VicTrack will be responsible for administering the ALCAM application for all Australian and New Zealand users.

Geelong Station disability access improvements

The $7 million Geelong Station upgrade project to improve disability access was delivered on time and budget with no disruptions to V/Line services and free of incidents or down time.

Ongoing stakeholder management between VicTrack and PTV, Disability Discrimination Act groups, Heritage Victoria, V/Line and bus operators were all crucial to the success of the project – which was recognised with a nomination in the Australian Institute of building Professional Excellence in Building Awards for 2015.

VicTrack was first engaged by PTV in May 2014 for the design and construction of the project, which got underway in June 2014, and was finalised on 21 March 2015, with bus interchange works completed in June 2015.

The upgrade included the installation of lifts and stairs to connect platforms and improvements to station facilities such as ticket counters and toilets to meet the requirements of the Disability Standard for Accessible Public Transport. An additional ramp was added and works to improve the bus interchange were completed with pavement, kerb and tactile surfaces improved.

Collaboration with VicTrack's Telecommunications team was also necessary for the delivery of emergency phone lines for the lifts and managing works within the Geelong Station communications room.

The upgrades formed part of the Victorian Government's commitment to Geelong as the home of the National Disability Insurance Agency.

Supporting efficient government communications

Safety focus with building compliance program

As custodians for rail corridor buildings and assets, VicTrack continued its commitment to ensuring that all owned and leased buildings were compliant with the Building Code of Australia (BCA) standards and requirements.

As part of an ongoing 2014-15 program at VicTrack, works included $2 million worth of fire protection, electrical and ventilation upgrades at some of our most valued heritage sites. Safety of patrons and the ability to protect assets in the case of fires and emergencies were greatly improved at; Korumburra Heritage Train Station, Bendigo Round House, North Bendigo SSR Workshops, Maryborough Heritage Train Station, Traralgon Round House, Castlemaine Goods Shed and Newport Rail Workshops.

Bridge rehabilitation program

Bridge improvement works totalled $2.4 million this year, as part of VicTrack's continued commitment to the Bridge Rehabilitation Program. The projects included re-decking, strengthening or safety barrier upgrades, which were carried out at Dimboola (Wimmera St, Footbridge), Great Western (Paxton St, Road Bridge), Stratford (Wilkinson's Lane, Road Bridge) Wandong (Broadford Road, Road Bridge) and Broadford (Hamilton St, Road Bridge).

Leveraging VicTrack's telecommunications

Part of VicTrack's role under the *Transport Integration Act 2010* is to support broader government outcomes. The legislation sees VicTrack leverage its extensive fibre optic network for broader government benefit and in 2014-15 resulted in a project partnering with Chisholm Institute.

The project delivered a new fully managed Premium Wide Area Network (WAN) service, which provided a high-speed, reliable connection that enabled voice, video, data and has widened VicTrack's geographical reach.

The fully managed Premium WAN service enabled all eight remote campuses across Victoria to be connected. VicTrack was also asked to deliver cloud services, a hosted video conferencing solution and 400Mbps internet bandwidth to all Chisholm's users.

To deliver, VicTrack partnered with another carrier to leverage existing infrastructure and geographical reach. The solution implemented carrier aggregated (point to multi-point) WAN architecture using Ethernet as an access technology – which enabled the same network to be used between multiple customers and delivered significant costs savings.

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.

Corporate governance

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 six independent, non-executive Directors: John Lenders (appointed Chair 1 April 2015), Yehudi Blacher (Deputy Chair), Sam Andersen, Brian Bulluss, David Hunter, and Michael Trumble.

Former-Chair, Bob Annells PSM retired from the Board on 31 March 2015. Former-Director Jenny Roche retired from the Board on 18 December 2014.

Each Director has wide experience across various sectors and organisations and together they bring a diverse range of knowledge and business expertise to VicTrack.
Note: On July 1, two new directors were appointed to the Board (see page 115).

Board meetings

VicTrack currently holds Board meetings monthly, other than in January.

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 and one advisory panel 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 standing committees were:

- **Audit & Risk Management Committee** – Sam Andersen (Chair), Brian Bulluss and David Hunter.
- **Remuneration & Human Resources Committee** – John Lenders (Chair) and all other Directors.
- **Property, Environment & Heritage Committee** – David Hunter (Chair), Michael Trumble and Yehudi Blacher.
- **Telecommunications Committee** – Brian Bulluss (Chair) and Sam Andersen (appointed 23 April 2015).
- **Freight Logistics Committee** – Yehudi Blacher (Chair), David Hunter and John Lenders (appointed 23 April 2015).
- **Heritage Advisory Panel** – David Hunter (Chair), Sam Andersen, Dimity Reed (a heritage architect) and Martin Zweep (representative from Heritage Victoria), held its last meeting on 25 March 2015 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* 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.

3

Board and committee meetings

Member	Board	ARMC	PEHC	Telco	RHRC	FLC
John Lenders (i) & (ii)	4				-	1
Yehudi Blacher	12		5		4	2
Sam Andersen (iv)	12	5		2	3	
David Hunter (v)	12	2	5		4	3
Brian Bulluss (iii)	13	5		8	4	
Michael Trumble	11		5		4	
Bob Annells (vii)	8			1	3	1 (A/Chr)
Jenny Roche (vi)	7	2		5	2	

(i) Appointed to Board and RHRC on 1 April 2015
(ii) Appointed to FLC on 23 April 2015
(iii) Appointed to Telco on 18 December 2014
(iv) Appointed to Telco on 23 April 2015
(v) Appointed to ARMC on 19 February 2015
(vi) Retired from Board/RHRC/Telco on 18 December 2014
(vii) Retired from Board/RHRC/Telco on 31 March 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 2014-15 financial year, VicTrack developed several initiatives to improve the health and safety of staff, including ergonomic assessments, the provision of health and wellbeing information and testing, influenza vaccinations and support for staff participating in corporate fitness programs. VicTrack's Health and Safety Strategy was reviewed during the year. It was determined that the progressive roll out timeframe be extended to a three-year period from 2013-16.

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

Year	2014-15	2013-14
Rail Safety Incidents	4	1
Lost Time Injuries	3	3

Rail safety

VicTrack has undertaken a substantive review of its Safety Management System (SMS) in line with the recent transition requirement to National Rail Safety Laws (NRSL).

VicTrack has been actively engaged with the Office of the National Rail Safety Regulator regarding the SMS and its accreditation for rail operations to its defined geographic boundaries.

The process for review of the SMS is as follows:

- Review and revise VicTrack Rail Safety Operational Risk Management process
- Review in detail the scope of operations VicTrack undertakes in the rail environment
- Undertake risk workshops and risk register updates on the revised scope of operations
- Compliance mapping the current SMS against identified controls
- Update and Implement the revised SMS.

VicTrack's updated SMS is now live and continues to support VicTrack rail operations.

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

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 2015-16, 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 2014. 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 2011 to 2015

2015	2014	2013	2012	2011
319	304	290	300	262

Table 2: Summary of employment levels in June of 2014 and 2015

	Ongoing employees[(iv)]				Fixed term and casual employees
	Employees (headcount)	Full time (headcount)	Part time (headcount)	FTE	FTE
June 2015	324	309	15	249	70
June 2014	307	297	10	237	67

Table 3: Details of employment levels in June of 2014 and 2015[iv]

	2015			2014		
	Ongoing		Fixed term and casual employees	Ongoing		Fixed term and casual employees
	Employees (headcount)	FTE	FTE	Employees (headcount)	FTE	FTE
Gender						
Male	227	186	40	222	189	33
Female	80	63	13	66	48	15
Total	**307**	**249**	**53**	**288**	**237**	**48**
Age						
Under 25	2	1	1	1	0	1
25 34	62	52	9	55	46	8
35 44	91	69	21	81	65	15
45 54	96	80	15	92	75	17
55 64	53	44	7	54	47	6
Over 64	3	3	0	5	4	1
Total	**307**	**249**	**53**	**288**	**237**	**48**
Classification						
VPS 1	2	1	1	0	0	0
VPS 2	2	2	0	2	2	0
VPS 3	15	10	5	13	10	3
VPS 4	51	46	3	44	37	4
VPS 5	86	83	2	88	79	9
VPS 6	117	105	11	127	107	20
STS	34	2	31	14	2	12
Other	0	0	0	0	0	0
Total	**307**	**249**	**53**	**288**	**237**	**48**

Notes:

(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 36).

Statutory information (cont.)

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 2015 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.

Breakdown of EOs at 30 June 2015

	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	7	(2)	7	(2)	5	(1)	2	(1)	2
EO 3	9	0	9	0	5	(2)	4	(2)	2
Total	**17**	**(2)**	**17**	**(2)**	**11**	**(3)**	**6**	**(3)**	**4**

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 statewide projects, or $1 million or more for procurement activities in regional Victoria.

During 2014-15, VicTrack commenced four VIPP applicable procurements totalling $4.84 million. Of those projects, three 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 85 per cent of local content commitment was made;
- a total of 188 jobs (AEE) were committed, including the creation of 41 new jobs and the retention of 147 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 2014-15, VicTrack completed five VIPP applicable projects, collectively valued at about $14.98 million. The outcomes reported from the implementation of the VIPP where information was provided, were as follows:

- an average of 85 per cent of local content outcome was recorded;
- a total of 21 (AEE) positions were created; and
- three new apprenticeships/traineeships were created and seven 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.

3

Engagement of consultants

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

In 2014-15, there were 40 consultancies where the total fees payable to the consultants were $10,000 or greater. The total expenditure incurred during 2014-15 in relation to these consultancies was $1.72 million (excluding GST). Details of individual consultancies can be viewed at **www.victrack.com.au/annualreports**.

Details of consultancies under $10,000

In 2014-15, there were 114 consultancies engaged during the year, where the total fees payable to the individual consultancies was less than $10,000. The total expenditure incurred during 2014-15 in relation to these consultancies was $0.33 million (excl. GST).

Disclosure of major contracts

VicTrack did not enter into contracts greater than $10 million in value during 2014-15.

In accordance with the requirements of government policy and accompanying guidelines, VicTrack discloses all contracts greater than $10 million in value. During 2014-15 no contracts reaching that value were entered into.

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 2015 VicTrack received nine applications, all from the general public. Of the total requests received by VicTrack, the majority were acceded to, one decision to refuse access was reviewed by the FoI Commissioner and one request received from a Member of Parliament in the year ending 30 June 2014 did not proceed, with the matter concluded in 2014-15.

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

Total requests for year ending 30 June 2015	**9**

Decisions on FOI requests	
Request referred to other department (pursuant to s18 of the FoI Act)	0
Access granted	1
Access granted in part	2
Access refused	0
Documents not located / do not exist	3
Other	3

Reviews of decisions	
Internal reviews	0
Reviews by FoI Commissioner	1

Complaints	
Complaints to FoI Commissioner	1
Complaints to VCAT	0

Statutory information (cont.)

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
- it should be accompanied by the appropriate application fee ($27.20), 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

l) details of all consultancies and contractors, including consultants/contractors engages, 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.

Victoria is party to the inter-governmental Competition Principles Agreement (CPA), under which each state and territory is obliged to introduce and apply competitive neutrality policy and principles. Clause 3(1) of the CPA sets out the objective of competitive neutrality as 'the elimination of resource allocation distortions arising out of the public ownership of entities engaged in significant business activities'. DTF issued the current Victorian Government's policy in September 2012. The Victorian Competition and Efficiency Commission (VCEC) is responsible for administering the Policy.

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

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other policy objectives of government and focuses on efficiency in the provision of service.

In 2014, VicTrack's processes and involvement in Victoria's telecommunications was reviewed in relation to compliance with Victoria's Competitive Neutrality Policy. The key finding of the review in relation to VicTrack's Telco business was that its processes for price determination are consistent with the Policy and guidance.

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
VIC 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
- 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.

Statutory information (cont.)

Office based environmental impacts

VicTrack has not previously reported against FRD 24C.

VicTrack's Environment and Sustainability Strategy is currently under revision. The strategy has three focus areas that align to VicTrack's Corporate Plan and include: Stakeholder Outcomes; Business Performance; and People. As part of the strategy an Environmental Management System (EMS) will be developed and rolled out to the organisation. The EMS will be set up to meet government requirements and to reduce the impact on the environment. Part of the EMS will 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. The Strategy is proposed to be finalised by September 2015 and the EMS developed by June 2016 and rolled out to the organisation the following year.

VicTrack is also proposing to establish an informal sustainability committee to champion office based activities and assist with the development and implementation of the strategy across the organisation.

The data presented in this section will be used for benchmarking VicTrack's office based consumptions of paper, water, energy, fuel, transport and production of waste, and ultimately emissions. The data will be incorporated into VicTrack's Sustainability Strategy and reduction targets set and reported on an annual basis.

VicTrack is currently looking at its accommodation to consolidate corporate employees within fewer buildings. Depending on the outcome, the setting of reduction targets on some office based elements may be impacted.

Every effort has been made to ensure the data reported in the following sections accurately reflects office based usage and emissions for 2014-15. All data has been calculated using conversion factors taken from the National Greenhouse Accounts Factors (July 2014) and other factors where required. Footnotes have been provided where assumptions have been made in treating the data.

Energy

VicTrack consumes energy at a number of different facilities including: Corporate Office facilities (LaTrobe Street, LifeLab, 595 Collins Street) and non-office based data / archive facilities (Gertrude Street, Spotswood).

The data was collected through the energy retailer billing information and is split to represent 100 per cent energy usage for office based facilitates and 98 per cent energy usage at VicTrack's data management centres.

VicTrack's Primary Data Centre manages data for VicTrack Information Technology and is also the location for both MTM and VicTrack hosted CCTV solutions, as well as the Disaster Recovery Site for Metrol. The site houses upwards of 300 servers, which require a specialised environment (cooling, uninterruptible power) that has an impact on the energy consumption at site.

Energy usage reported for 2014-15 is provided in the table below:

Indicator	2014-15
Total energy usage (office based)[1] (MJ)	3,307,167
Greenhouse gas emission associated with total energy use (t CO_2-e)	1,084
Percentage of energy purchased as green power	-
Units of energy used per FTE (MJ / FTE)	10,879
Units of energy used per unit of office area (MJ/m^2)	851
Energy usage (data management)[2] (MJ)	9,119,760
Greenhouse gas emission associated with total energy use (data management) (t CO_2-e)	2,989

1 Total energy usage at VicTrack corporate facilities includes 1010 LaTrobe, Lifelab and 595 Collins Street. The data also includes energy usage for the NOC (Network Operations Centre) located at 1010 LaTrobe 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 including archive centres. This data has not been included in the total energy usage calculation.

Additional Notes: Data has been calculated based on energy retailer billing information and using conversion factors taken from the National Greenhouse Accounts Factors (July 2014).

No direct programs / initiatives were implemented in the 2014-15 year to reduce impacts.

Office based programs will be implemented going forward in order to achieve reduction targets including:

- Explore light globe replacement program depending on accommodation requirements
- Explore opportunities with payback periods of less than five years
- Explore purchasing of green power
- Office based programs introduced to target reduction in energy usage.

Notwithstanding the above, VicTrack has undertaken the following which has reduced energy consumption:

- All new station and level crossing upgrades employ 100 per cent LED lighting (station and level crossings do not have an impact on energy consumption)
- Improvements to energy usage at the Data Management Centre have occurred by introducing LED lighting on sensors in both the server room and carpark.

Paper

The data presented in the table below represents paper usage for 90 per cent of the staff located over two corporate offices (LaTrobe Street, LifeLab).

Actions taken by VicTrack to reduce impacts in 2014-15 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 its “Follow me Print” program as the default printer setting on all office based computers.

No programs were implemented in the 2014-15 year to reduce impacts as this was the first year of reporting publically.

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
- Reduce units of A4 equivalent copy paper used per FTE by five per cent within four years from baseline values recorded this year 2014-15.

Trends in performance

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

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).

Statutory information (cont.)

Transportation

VicTrack fleet comprises 60 vehicles of which 93 per cent are operational and the remainder executive vehicles. Of the operational fleet, 54 per cent are diesel fuelled four cylinder 4WD; 29 per cent are four cylinder diesel fuelled; 14 per cent are four cylinder petrol fuelled and four per cent are hybrid vehicles. The executive fleet are all four cylinder vehicles with 75 per cent diesel fuelled and 25 per cent petrol fuelled.

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

The summary also provides details on VicTrack's employee's mode of transport to and from work at three of VicTrack's corporate locations including 1010 LaTrobe Street, 595 Collins Street and Lifelab. The data presented for mode of transport represents approximately 70 per cent of employees when traveling to/from work.

Energy consumption

Indicator	2014-15			
	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
Total vehicle travel associated with entity operations (km)	813,535	400,517	154,872	1,411,777
Total greenhouses gas emission from vehicle fleet (t CO_2-e)	231	106	34	6
Greenhouse gas emissions from vehicle fleet per 1,000 km travelled (t CO_2-e)	0.28403	0.26452	0.22086	0.00438
Distance travelled by aeroplane (km)				16,012
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

Notes: Vehicle energy consumption data is based on data from June 2014 to end of May 2015.

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
- Where possible, VicTrack staff are encouraged to take public transport to meetings.

Future targets will be set and documented along with this year's baseline data in VicTrack's sustainability strategy and action plan which is currently being prepared. A number of initiatives will also be considered including:

- Increasing the number of hybrid fleet vehicles
- 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 and paper recycling, co-mingled recycling and landfill.

A waste separation system is available at two of VicTrack's corporate office locations (LaTrobe Street and LifeLab) which segregates the waste into 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 below has been extrapolated from one five-day waste audit at 1010 LaTrobe Street which represents 69 per cent of VicTrack employees. Green waste has not been included in the waste audit due to contractor disposal conditions.

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Waste and recycling

Indicator	2014-15 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
Units of waste disposed of per FTE by destination (kg/FTE/yr)	10.7	6.4	9.5	26.7

Recycling rate (% of total waste)	49.9

Greenhouse gas emissions associated with waste disposal (t CO_2-e)	8.8

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)
- Recycling of project based materials (e.g. concrete, metals, etc)
- Donating former rail materials to heritage societies/ groups (e.g. rail).

Office based future targets will be set and documented along with this year's baseline data in VicTrack's sustainability strategy and action plan, which is currently being prepared. Initiates to assist with waste management may include:

- Awareness programs on office waste recycling
- Investigating the recycling of e-waste
- Fluoro tube recycling
- 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 and houses 70 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 toilets, hand basins, showers and kitchen areas are treated and recycled back into the system and used to supply recycled water to cisterns, urinal and evaporative cooler on the mechanical plant. Minimal reticulated water is used for showers, hand basins and kitchen areas.

Greater than 95 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 2014-15 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.

VicTrack total emissions

Indicator	2014-15
Total Greenhouse gas emissions associated with energy use (t CO_2-e)	1,084.0
Total Greenhouse gas emissions associated with vehicle fleet (t CO_2-e)	377.0
Total Greenhouse gas emissions associated with air travel (t CO_2-e)	0.9
Total Greenhouse gas emissions associated with waste production (t CO_2-e)	8.8
Greenhouse gas emissions offset purchased (t CO_2-e)	0.0

Other indicators	2014-15
Greenhouse gas emission associated with energy use (data management) (t CO_2-e)	2,989.0

Statutory information (cont.)

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 an recycled content
- Establishing organisational rules which require business units to discuss their projects with the environment and sustainability group.

Targets for 2014-15 have not yet been set as data from this year will be used as baseline data for future years.

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 compliance attestation

I, John Lenders, certify that Victorian Rail Track has complied with Ministerial Standing Direction 4.5.5 – Risk Management Framework and Processes.
The Audit and Risk Management Committee verifies this.

John Lenders
Chair
Victorian Rail Track (VicTrack)

3 September 2015

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 auditors' report

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VAGO

Victorian Auditor-General's Office

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Melbourne VIC 3000
Telephone 61 3 8601 7000
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Email comments@audit.vic.gov.au
Website www.audit.vic.gov.au

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Victorian Rail Track

The Financial Report

The accompanying financial report for the year ended 30 June 2015 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 has been audited. 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 18 to the consolidated financial statements.

The Board Members' Responsibility for the Financial Report

The Board Members of Victorian Rail Track are responsible for the preparation and the 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 judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to 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.

Independent auditors’ report (cont.)

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, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

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 2015 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
7 September 2015

for John Doyle
Auditor-General

Statutory statement

Declaration by Chair, Accountable Officer and Deputy Chief Executive

30 June 2015

We certify that the attached financial report for Victorian Rail Track (as an individual entity and the Consolidated Entity comprising Victorian Rail Track and its Controlled entities) has been prepared in accordance with Standing Direction 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards and other mandatory 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, Cash Flow Statement and notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2015 and the financial position as at 30 June 2015 of Victorian Rail Track 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 3rd September 2015.

John Lenders
Chair
3rd September 2015

Campbell A. Rose
Chief Executive
3rd September 2015

Garry Button
Deputy Chief Executive
3rd September 2015

Financial performance

Parent Entity

The Parent Entity VicTrack recorded an operating profit before tax and depreciation of $41.2 million for the 2014-15 financial year and had a net cash inflow from operating activities of $36.0 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 2015. While the depreciation charge results in an accounting loss, it does not impact on VicTrack's ability to produce a positive cash flow from operating activities.

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

Financial summary VicTrack	2015 $m	2014 $m	2013 $m	2012 $m	2011 $m
Total revenue	191.5	168.3	163.1	194.5	277.0
Total operating expenditure	(150.3)	(124.2)	(103.1)	(85.9)	(65.7)
Net profit/(loss) before income tax & depreciation	41.2	44.1	60.0	108.6	211.3
Depreciation charge	(522.4)	(482.0)	(394.6)	(417.9)	(193.4)
Net cash inflow from operating activities	36.0	56.2	36.4	79.3	79.1
Total assets (note from 2011 is fair value)	25,483.4	22,300.1	20,769.2	19,409.7	18,399.2
Total liabilities	(2,817.1)	(2,589.7)	(2,693.2)	(2,818.3)	(3,000.8)
Net assets	22,666.3	19,710.4	18,076.0	16,591.4	15,398.4
Total staff (full and part time)	324	307	289	302	266

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.

Notes:

1. The application of AASB1049 to VicTrack in 2011 required all assets to be reported at fair value. Prior to this only land was reported at fair value and all other assets at historical cost.

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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 2015.

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

Financial summary Consolidated Entity	2015 $m	2014 $m	2013 $m	2012 $m	2011 $m
Total revenue	352.2	320.9	319.8	358.1	427.5
Total operating expenditure	(221.0)	(201.6)	(186.8)	(175.9)	(155.1)
Net profit/(loss) before income tax & depreciation	131.2	119.3	133.0	182.2	272.4
Depreciation charge	(642.6)	(596.9)	(504.1)	(519.2)	(295.3)
Net cash inflow from operating activities	125.6	129.1	107.6	151.2	138.1
Total assets (note from 2011 is fair value)	28,612.0	25,738.7	24,183.4	22,695.6	21,540.4
Total liabilities	(3,622.9)	(3,621.4)	(3,832.6)	(4,043.8)	(4,296.1)
Net assets	24,989.1	22,117.3	20,350.8	18,651.8	17,244.3
Total staff	324	307	289	302	266

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.

Notes:

1. The application of AASB1049 to VicTrack in 2011 required all assets to be reported at fair value. Prior to this only land was reported at fair value and all other assets at historical cost.

Comprehensive operating statement

For the year ended 30 June 2015

	Note	Consolidated		Parent	
		2015 $000	2014 $000	2015 $000	2014 $000
Continuing operations					
Income from transactions:					
Telecommunications services		54,946	53,935	54,946	53,935
Property related income		27,500	28,757	27,500	28,757
Services received free of charge		23,100	17,900	23,100	17,900
Government contributions towards capital and related works		154,590	146,119	22,749	24,280
Other income	2	92,100	74,204	63,193	43,449
Capital assets charge		1,582,200	1,524,425	1,582,200	1,524,425
Total income from transactions		**1,934,436**	**1,845,340**	**1,773,688**	**1,692,746**
Expenses from transactions:					
Employee benefits expense	3a	40,762	35,107	40,762	35,107
Depreciation and amortisation expense	3b	642,599	596,913	522,428	482,003
Finance costs		70,039	77,353	-	-
Capital assets charge		1,582,200	1,524,425	1,582,200	1,524,425
Supplies and services expense	3c	54,283	52,799	54,283	52,799
Other operating expenses	3d	55,884	36,399	55,219	36,291
Total expenses from transactions		**2,445,767**	**2,322,996**	**2,254,892**	**2,130,625**
Net result from transactions (net operating balance)		**(511,331)**	**(477,656)**	**(481,204)**	**(437,879)**
Other economic flows included in net result					
Net gain/ (loss) from non-financial assets		8,457	4,898	8,457	4,898
Total other economic flows included in net result		**8,457**	**4,898**	**8,457**	**4,898**
Net result from continuing operations before income tax		**(502,874)**	**(472,758)**	**(472,747)**	**(432,981)**
Tax equivalent (expense)/ benefit	14a	150,882	162,821	141,844	130,034
Net result		**(351,992)**	**(309,937)**	**(330,903)**	**(302,947)**
Items that will not be reclassified to net results					
Other economic flows – Other comprehensive income					
Changes in physical asset revaluation surplus	12	2,203,825	(7,970)	2,619,883	(7,970)
Income tax on physical asset revaluation surplus	14d	(251,380)	-	(376,198)	-
Total other economic flows – other comprehensive income		**1,952,445**	**(7,970)**	**2,243,685**	**(7,970)**
Comprehensive result		**1,600,453**	**(317,907)**	**1,912,782**	**(310,917)**

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

Balance sheet

As at 30 June 2015

	Note	Consolidated 2015 $000	Consolidated 2014 $000	Parent 2015 $000	Parent 2014 $000
Assets					
Financial assets					
Cash and deposits	4	30,677	36,978	29,885	36,060
Other financial assets	5	100	100	-	-
Trade and other receivables	6	34,871	35,066	162,718	160,943
Total financial assets		**65,648**	**72,144**	**192,603**	**197,003**
Non-financial assets					
Prepayments		1,826	2,243	1,826	2,243
Property, infrastructure, plant and equipment	7(a)	28,481,136	25,600,887	25,288,993	22,100,849
Intangible asset	1(k)(vii)	63,417	63,417	-	-
Total non-financial assets		**28,546,379**	**25,666,547**	**25,290,819**	**22,103,092**
Total assets		**28,612,027**	**25,738,691**	**25,483,422**	**22,300,095**
Liabilities					
Trade and other payables	8	36,480	45,247	35,403	44,180
Provisions	9	21,817	20,082	21,817	20,082
Borrowings	10	753,221	845,245	1,749	1,654
Deferred tax liability	14f	2,811,338	2,710,840	2,758,170	2,523,786
Total liabilities		**3,622,856**	**3,621,414**	**2,817,139**	**2,589,702**
Net assets		**24,989,171**	**22,117,277**	**22,666,283**	**19,710,393**
Equity					
Contributed capital	11	14,959,608	13,688,167	12,999,130	11,956,023
Physical asset revaluation surplus	12	10,775,572	8,823,127	10,418,043	8,174,358
Retained profits/ (accumulated losses)		(746,009)	(394,017)	(750,890)	(419,988)
Net worth		**24,989,171**	**22,117,277**	**22,666,283**	**19,710,393**

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 2015

Consolidated	Note	Contributed equity $000	Physical asset revaluation surplus $000	Retained profits/ (accumulated losses) $000	Total equity $000
2015					
Balance at 1 July 2014		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	12	-	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	11	1,277,141	-	-	1,277,141
Capital returned during the year	11	(5,700)	-	-	(5,700)
Balance at 30 June 2015	**11**	**14,959,608**	**10,775,572**	**(746,009)**	**24,989,171**
2014					
Balance at 1 July 2013	11	11,603,744	8,831,097	(84,080)	20,350,761
Net result for the year		-	-	(309,937)	(309,937)
Other comprehensive income/ (expense) for the year	12	-	(7,970)	-	(7,970)
Total comprehensive result for the year		**-**	**(7,970)**	**(309,937)**	**(317,907)**
Transactions with owners in their capacity as owners:					
Contributions by owners during the year	11	2,084,423	-	-	2,084,423
Capital returned during the year	11	-	-	-	-
Balance at 30 June 2014	**11**	**13,688,167**	**8,823,127**	**(394,017)**	**22,117,277**

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

Parent	Note	Contributed capital $000	Physical asset revaluation surplus $000	Retained profits/ (accumulated losses) $000	Total equity $000
2015					
Balance at 1 July 2014		11,956,023	8,174,358	(419,988)	19,710,393
Net result for the year		-	-	(330,903)	(330,903)
Other comprehensive income/ (expense) for the year	12	-	2,243,685	-	2,243,685
Total comprehensive result for the year		**-**	**2,243,685**	**(330,903)**	**1,912,782**
Contributions by owners during the year	11	1,048,807	-	-	1,048,807
Capital returned during the year	11	(5,700)	-	-	(5,700)
Balance at 30 June 2015	**11**	**12,999,130**	**10,418,043**	**(750,890)**	**22,666,283**
2014					
Balance at 1 July 2013	11	10,010,763	8,182,328	(117,042)	18,076,049
Net result for the year		-	-	(302,947)	(302,947)
Other comprehensive income/ (expense) for the year	12	-	(7,970)	-	(7,970)
Total comprehensive result for the year		**-**	**(7,970)**	**(302,947)**	**(310,917)**
Transactions with owners in their capacity as owners:					
Contributions by owners during the year	11	1,945,260	-	-	1,945,260
Capital returned during the year	11	-	-	-	-
Balance at 30 June 2014	**11**	**11,956,023**	**8,174,358**	**(419,988)**	**19,710,393**

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

Cash flow statement

For the year ended 30 June 2015

	Note	Consolidated 2015 $000	Consolidated 2014 $000	Parent 2015 $000	Parent 2014 $000
Cash flows from operating activities					
Receipts		340,960	288,305	156,694	125,266
Interest received		886	1,320	870	1,295
Receipts from the Victorian Government for:					
– capital assets charge (*)		1,582,200	1,524,425	1,582,200	1,524,425
– capital and related works (inclusive of GST) and termination payments		25,015	27,942	25,015	27,942
Total receipts		**1,949,060**	**1,841,991**	**1,764,779**	**1,678,928**
Payments					
Suppliers (inclusive of GST) and employees		(161,549)	(97,655)	(140,220)	(91,934)
Borrowing costs paid		(70,039)	(85,161)	(95)	(73)
Capital assets charge (*)		(1,582,200)	(1,524,425)	(1,582,200)	(1,524,425)
Goods and services tax paid to the ATO		(9,668)	(5,615)	(6,263)	(6,263)
Total payments		**(1,823,456)**	**(1,712,856)**	**(1,728,778)**	**(1,622,695)**
Net cash flows from /(used in) operating activities	**13(d)**	**125,604**	**129,135**	**36,001**	**56,233**
Cash flows from investing activities					
Proceeds from/(payments for):					
Payment for assets acquired using government capital contributions		(1,277,141)	(2,084,423)	(1,048,807)	(1,945,260)
Acquisition of property, plant & equipment		(50,633)	(48,124)	(50,633)	(48,124)
Sale of property, plant & equipment		8,457	4,898	8,457	4,898
Net cash from /(used in) investing activities		**(1,319,317)**	**(2,127,649)**	**(1,090,983)**	**(1,988,486)**
Cash flows from financing activities					
Proceeds/(payments) for:					
Government capital contributions		1,277,141	2,084,423	1,048,807	1,945,260
Borrowings		(89,729)	(73,627)	-	-
Net cash flows from / (used in) financing activities		**1,187,412**	**2,010,796**	**1,048,807**	**1,945,260**
Net increase/(decrease) in cash held and cash equivalent		**(6,301)**	**12,282**	**(6,175)**	**13,007**
Cash and cash equivalent at the beginning of the financial year		**36,978**	**24,696**	**36,060**	**23,053**
Cash and cash equivalent at the end of the financial year		**30,677**	**36,978**	**29,885**	**36,060**

(*) The receipt and payment of the capital assets charge does not represent physical movements of cash between Victorian Rail Track 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 Cash flow statement.

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

Notes to the financial statements

30 June 2015

Note 1. Summary of significant accounting policies

These annual financial statements represent the audited general purpose financial statements for Victorian Rail Track for the period ended 30 June 2015. The purpose of the report is to provide users with information about Victorian Rail Track'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 of the Australian Accounting Standards Board. The entity is a not-for-profit entity for reporting purposes under Australian Accounting Standards and *Financial Reporting Direction 108A*.

The financial statements of Victorian Rail Track and its controlled entities ("the Consolidated Entity") for the year ended 30 June 2015 were authorised for issue in accordance with a resolution of the directors on 3rd September 2015.

Victorian Rail Track and its subsidiary companies provide 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.

Early adoption of standards

In July 2015, the Australian Accounting Standards Board released AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities, with early adoption permitted for the 2014-15 reporting period. The amendments provide entities with the option to gain certain reporting relief of fair value disclosures for the 2014-15 reporting period. Victorian Rail Track and the Consolidated Entity have elected to early adopt the AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities.

This report has been prepared in accordance with the historical cost convention. Historical cost is based on the fair values of the consideration given in exchange for assets.

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 determine 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 requirements of AASB 13 and the relevant Financial Reporting Directions. 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, Victorian Rail Track and 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, Victorian Rail Track and the Consolidated Entity determine 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.

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.

(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 per cent in accordance with the Valuer-General Victoria'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 *FRD103F Non-Current Physical Assets*. 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 Valuer-General Victoria. In the previous revaluation which took place at 30 June 2011, it was agreed that it was appropriate to include the impact of capitalised interest (during construction) of $308.6 million as part of the fair value. The fair value of the plant and equipment assets was $13,414 million inclusive of capitalised interest amounting to $308.6 million, carried forward from the 2010/2011 valuation.

In preparing the 30 June 2015 revaluation, the decision to include the impact of capitalised interest was necessarily reviewed and it was agreed that in line with the requirements of *AASB 123 Borrowing Costs* and *FRD105A Borrowing Costs* the revaluation needed to exclude the impact of capitalised interest. The exclusion of interest during construction as part of the revaluation process is a change in accounting estimate. The effect of this change in estimate was assessed to be immaterial based on the carrying value of the assets being $17,385 million. The depreciation impact in the future period was also assessed to be immaterial.

Capitalised interest	30 June 2011 $m
Buildings and structures	204.7
Track	93.0
Signals and communication	10.9
Total	**308.6**

Where the assets are revalued, the revaluation increments are credited directly to the asset revaluation surplus 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.

(v) Operating lease commitments – Consolidated Entity as lessor

The Consolidated Entity has entered into leases on 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.

(vii) Recovery of deferred tax assets

Deferred tax assets with respect to deductible temporary differences and tax losses have been recognised in the Statement of financial position 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.

The following significant accounting policies have been applied in preparing the financial statements for the year ended 30 June 2015 and the comparative information presented for the year ended 30 June 2014.

(c) Reporting entity

Victorian Rail Track and its subsidiary entities ("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*.

Its 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 AASs.

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

- gains and losses from disposals of non-financial assets; 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 (non-current being those assets or liabilities expected to be recovered or settled beyond 12 months) are disclosed in the notes, where relevant.

(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.

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

(d) Scope and presentation of financial statements (cont.)

(iv) Cash flow statement

Cash flows 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*.

For cash flow statement presentation purposes, cash and cash equivalents include bank overdrafts, which are included as current borrowings on the balance sheet.

(v) New and amended standards adopted by the group

Victorian Rail Track and the Consolidated Entity has applied the following standards and amendments for first time in their annual reporting period commencing 1 July 2014:

AASB 10 Consolidated financial statements

AASB 10 provides a new approach to determine whether an entity has control over an entity, and therefore must present consolidated financial statements. The new approach requires the satisfaction of all three criteria for control to exist over an entity for financial reporting purposes:

(a) The investor has power over the investee;

(b) The investor has exposure, or rights to variable returns from its involvement with the investee; and

(c) The investor has the ability to use its power over the investee to affect the amount of investor's returns.

Based on the new criteria prescribed in AASB 10, the Consolidated Entity has reviewed the existing arrangements to determine if there are any additional entities that need to be consolidated into the group. The Consolidated Entity has concluded that no additional entity has met the control criteria.

AASB 11 Joint arrangements

In accordance with AASB 11, there are two types of joint arrangements, i.e. joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportionate consolidation of joint ventures is no longer permitted.

The Consolidated Entity has reviewed its existing contractual arrangements with other entities to ensure they are aligned with the new classifications under AASB 11.

AASB 12 Disclosure of Interests in Other Entities

AASB 12 Disclosure of Interests in Other Entities prescribes the disclosure requirements for an entity's interests in subsidiaries, associates, joint arrangements and extends to Victorian Rail Track and the Consolidated Entity association with unconsolidated structured entities.

Victorian Rail Track and the Consolidated Entity have disclosed information about its interests in associates and joint ventures in Note 15, including any significant judgement and assumptions used in determining the type of joint arrangement in which it has an interest.

Victorian Rail Track and the Consolidated Entity have also reviewed its current contractual arrangements to determine if there are any unconsolidated structured entities that they has involvement with. They have not identified any unconsolidated structured entities during the assessment.

(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 2015, and their income and expenses for that part of the reporting period in which control existed; and 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 reporting entity are listed in Note 18.

(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 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

Rolling stock 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 15.

(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:

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

(g) Expenses from transactions (cont.)

(iii) Depreciation and amortisation (cont.)

Asset Class	Depreciation rates	Useful life
Buildings 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 3.0%	40 to 33 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. Revised 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.

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.

(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.

(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.

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 2015.

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 cash flow 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.

Amortisation of non produced intangible assets

Intangible non produced assets with finite lives are amortised as an other 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.

(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 2014-15, 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 group 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 an other 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.

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

(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 group'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 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 cash flows from the asset have expired; or
- the consolidated entity retains the right to receive cash flows 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 cash flows from the asset and either:
  - (a) has transferred substantially all the risks and rewards of the asset; or
  - (b) 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.

(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. These investments are ear-marked for use on future infrastructure improvement projects. For cash flow statement presentation purposes, cash and cash equivalents include bank overdrafts, which are included as borrowings on the balance sheet.

(iii) Other financial assets

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

(iv) Receivables

All receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Receivables are due for settlement at no more than 30 days from the date of recognition.

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.

(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 Financial Reporting Directions (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 nonmonetary 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.

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

(k) Non financial assets (cont.)

(ii) Property, infrastructure, plant and equipment (cont.)

Intangible assets – Software and licences (cont.)

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.

(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.

(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 the Victorian Government's Department of Treasury and Finance. 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 FRD 119 'Contributions by Owners'. 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 2015, 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 cash flow projections over a 10-year period with the period extending beyond five years extrapolated using an estimated growth rate. The cash flows 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 & prior year for goodwill.

(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.

(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.

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

(l) Liabilities (cont.)

(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 as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an other economic flow.

(v) Employee benefit on-costs

Employee benefit on-costs, 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 cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using discount rate that reflects the time value of money and risks specific to the provision.

Victorian Rail Track land and other assets may be subject to varying degrees of contamination. Estimated costs of environmental assessments, management and restoration of assets are 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

(i) 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.

While the Consolidated Entity has recognised finance leases relating to the introduction of new rolling stock within its financial statements, the risks associated with these leases remains with Public Transport Victoria. Further details of the lease arrangements, which are part of the public transport franchising arrangements, can be found in the Public Transport of Victoria Annual Report.

Operating lease

Operating lease 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.

(ii) Consolidated Entity as lessor

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.

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

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 with *FRD 119 'Contributions by Owners'*. 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 rail corporation and the Minister.

No determination was received from the Treasurer requiring the Consolidated Entity to make a dividend payment respect to the years ended 30 June 2014 and 30 June 2015.

(r) Rounding

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

(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 and the Parent Entity.

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

(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 DEDJTR dated 10th August 2015 covering the period until 30th September 2016. On the basis of the above factors, the Directors are of the opinion that the Consolidated Entity and the Company 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.

(v) Contingent liabilities

Contingent liabilities are not recognised in the balance sheet, but are disclosed at note 19 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 adopted by the Consolidated Entity for the annual reporting period ended 30 June 2015

Title (summarised)	Summary	Effective date	Impact on Consolidated Entity's financial statements
AASB 10 *Consolidated Financial Statements*	This standard forms the basis for determining which entities should be consolidated into an entity's financial statements. AASB 10 defines 'control' as requiring exposure or rights to variable returns and the ability to affect those returns through power over an investee, which may broaden the concept of control for public sector entities. The AASB has issued an Australian Implementation Guidance for Not for Profit Entities – Control and structured entities that explains and illustrates how the principles in the standard apply from the perspective of not for profit entities in the private and public sectors.	1 January 2014 (not for profit entities)	No significant impact on the Consolidated Entity reporting.
AASB 11 *Joint Arrangements*	This Standard deals with the concept of joint control, and sets out a new principles based approach for determining the type of joint arrangement that exists and the corresponding accounting treatment. The new categories of joint arrangements under AASB 11 are more aligned to the actual rights and obligations of the parties to the arrangement.	1 January 2014 (not for profit entities)	No significant impact on the Consolidated Entity reporting.
AASB 12 *Disclosure of Interests in Other Entities*	This standard requires disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the financial statements. This standard replaces the disclosure requirements in AASB 127 Separate Financial Statements and AASB 131 Interests in Joint Ventures.	1 January 2014 (not for profit entities)	No significant impact on the Consolidated Entity reporting.
AASB 127 *Separate Financial Statements*	This revised standard prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.	1 January 2014 (not for profit entities)	No significant impact on the Consolidated Entity reporting.
AASB 128 *Investments in Associates and Joint Ventures*	This revised standard sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures	1 January 2014 (not for profit entities)	No significant impact on the Consolidated Entity reporting.
AASB 1055 *Budgetary Reporting*	Requires reporting of budgetary information by not for profit entities within the general government sector (however, comparative information is not required). In particular: • original budget presented to Parliament; • variance of actuals from budget; and • explanations of significant variances. PFCs and PNFCs are excluded from AASB 1055.	1 July 2014	No significant impact on the Consolidated Entity reporting.

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

(w) New accounting standards and interpretations adopted by the Consolidated Entity for the annual reporting period ended 30 June 2015 (cont.)

Title (summarised)	Summary	Effective date	Impact on Consolidated Entity's financial statements
AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities* [AASB 132] (i)	The amendments clarify: • the meaning of 'currently has a legally enforceable right of set off'; and • that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	No significant impact on the Consolidated Entity reporting.
AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*	Amends AASB 136 to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal; and to disclose the discount rates that have been used in the current and previous measurements if the recoverable amount of impaired assets based on fair value less costs of disposal was measured using a present value technique.	1 January 2014	No significant impact on the Consolidated Entity reporting.
AASB 2013-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities* [AASB 10, AASB 12 and AASB 1049]	Amends AASs to provide guidance in assisting NFP entities to apply AASB 10 and AASB 12. The guidance does not amend or deviate from the principles underlying the AASs, but rather, it illustrates the principles.	1 January 2014	No significant impact on the Consolidated Entity reporting.
AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments* [PART B Materiality only]	Part B *Materiality* of AASB 2013-9 deletes references to AASB 1031 *Materiality* in various Australian Accounting Standards (including Interpretations). Once all references to AASB 1031 have been deleted from all Australian Accounting Standards, AASB 1031 will be withdrawn.	1 January 2014	No significant impact on the Consolidated Entity reporting.

(x) New accounting standards and interpretations

Australian Accounting Standards and Interpretations 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 2015. Those standards and interpretation which are applicable to the Consolidated Entity are outlined in the table below:

Title (summarised)	Summary	Applicable for annual reporting periods beginning on	Impact on Consolidated Entity's financial statements
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 attributable to changes in credit risk are presented in other comprehensive income (OCI). • The remaining change is 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 2015	No significant impact is expected on the Consolidated Entity.
AASB 2013-9 *Amendments to Australian Accounting Standards* [PART C Financial Instruments]	Part C of AASB 2013 9 amends AASB 9 Financial Instruments to add Chapter 6 Hedge accounting and makes consequential amendments to AASB 9 and numerous other standards. Part C also amends AASB 9 to permit requirements relating to the 'own credit risk' of financial liabilities measured at fair value to be applied without applying the other requirements of AASB 9 at the same time.	Refer to AASB 2014-1 below.	No significant impact is expected on the Consolidated Entity.
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.	1 January 2017	No significant impact is expected on the Consolidated Entity.
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 is expected on the Consolidated Entity.

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

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

Title (summarised)	Summary	Applicable for annual reporting periods beginning on	Impact on Consolidated Entity's financial statements
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 is expected on the Consolidated Entity.
AASB 2014-4 *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation* [AASB 116 & AASB 138]	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 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 is expected on the Consolidated Entity.
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 is expected on the Consolidated Entity.
AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*	AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)	1 January 2018	No significant impact is expected on the Consolidated Entity.

Title (summarised)	Summary	Applicable for annual reporting periods beginning on	Impact on Consolidated Entity's financial statements
AASB 2014-8 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010)* *[AASB 9 (2009 & 2010)]*	Amends AASB 9 such that for annual reporting periods beginning on or after 1 January 2015, an entity may apply AASB 9 (December 2009) or AASB 9 (December 2010).	1 January 2015	No significant impact is expected on the Consolidated Entity.
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 is expected on the Consolidated Entity.
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 is expected on the Consolidated Entity.
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 is expected on the Consolidated Entity.

Note:
* AASB 2014-9 will be considered for early adoption in light of the upcoming update of FRD 113.

Note 2. Income from transactions

	Note	Consolidated		Parent	
		2015 $000	2014 $000	2015 $000	2014 $000
Interest received		886	1,323	870	1,295
Rolling stock lease income		29,225	29,225	-	-
Infrastructure Management revenue		51,151	33,469	51,151	33,469
Other		10,838	10,187	11,172	8,685
Total other income		**92,100**	**74,204**	**63,193**	**43,449**

Note 3. Expenses from transactions

(a) Employee benefits

	Note	Consolidated		Parent	
		2015 $000	2014 $000	2015 $000	2014 $000
Employee benefits					
Salaries and wages, annual leaves and long service leave		31,229	27,445	31,229	27,445
Associated labour on-costs		2,606	1,900	2,606	1,900
Increase in provision for employee entitlements		2,867	1,751	2,867	1,751
Post employment benefits					
Superannuation contributions		3,609	3,234	3,609	3,234
Termination benefits		451	777	451	777
Total employee benefits		**40,762**	**35,107**	**40,762**	**35,107**

(b) Depreciation and amortisation

	Note	Consolidated		Parent	
		2015 $000	2014 $000	2015 $000	2014 $000
Buildings and structures		117,390	105,477	117,390	105,477
Track		120,791	101,657	120,791	101,657
Signals and communications		196,798	185,871	196,798	185,871
Plant and equipment		177,624	175,657	57,453	60,747
Software and licences		29,996	28,251	29,996	28,251
Total depreciation and amortisation		**642,599**	**596,913**	**522,428**	**482,003**

(c) Supplies and services

	Note	Consolidated 2015 $000	Consolidated 2014 $000	Parent 2015 $000	Parent 2014 $000
Property services (including land tax)		8,704	8,973	8,704	8,973
Telecommunications expenses		11,826	13,577	11,826	13,577
Contract and other payments		33,753	30,249	33,753	30,249
Total supplies and services		**54,283**	**52,799**	**54,283**	**52,799**

(d) Other operating expenses

	Note	Consolidated 2015 $000	Consolidated 2014 $000	Parent 2015 $000	Parent 2014 $000
Increase/(decrease) in provision for doubtful debts		5	(107)	5	(107)
Bad debts		293	264	293	264
Insurance premiums		465	554	465	554
Legal fees		541	578	541	578
Occupancy costs		1,823	1,864	1,823	1,864
Customer construction expense		46,079	24,836	46,079	24,836
Other expenses		6,678	8,410	6,013	8,302
Total other operating expenses		**55,884**	**36,399**	**55,219**	**36,291**

Note 4. Cash and deposits

	Note	Consolidated 2015 $000	Consolidated 2014 $000	Parent 2015 $000	Parent 2014 $000
General fund account		9,399	8,015	9,326	7,097
Investments – Treasury Corporation of Victoria		21,278	28,963	20,559	28,963
		30,677	**36,978**	**29,885**	**36,060**

General fund account and Investments in Treasury Corporation of Victoria 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 11am cash rate less a fixed premium agreed by the Consolidated entity and the bank 1.28% (2014: 1.26%). Investment with TCV bears interest at 2.61% (2014: 2.64%). The groups and company's exposure to interest risk is disclosed in note 23. 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

	Note	Consolidated 2015 $000	Consolidated 2014 $000	Parent 2015 $000	Parent 2014 $000
Fund on deposits		100	100	-	-
		100	**100**	**-**	**-**
Reconciled by					
Current					
Fund on deposits		-	-	-	-
		-	**-**	**-**	**-**
Non-current					
Fund on deposits		100	100	-	-
		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% (2014: 5.15%) with quarterly payments of interest.

(a) Ageing analysis

Refer to Note 23, Financial Risk Management for the ageing analysis of other financial assets.

(b) Nature and extent of Risk exposure

Refer to Note 23, Financial Risk Management for the nature and extent of risks arising from other financial assets.

Note 6. Trade and other receivables

	Note	Consolidated 2015 $000	Consolidated 2014 $000	Parent 2015 $000	Parent 2014 $000
Receivables		34,982	35,172	162,829	161,049
Less provision for impairment of receivables	(a)	(111)	(106)	(111)	(106)
		34,871	**35,066**	**162,718**	**160,943**
Reconciled by:					
Current					
Receivables		32,253	35,112	160,100	160,989
Less provision for impairment of receivables	(a)	(111)	(106)	(111)	(106)
		32,142	**35,006**	**159,989**	**160,883**
Non-current					
Receivables		2,729	60	2,729	60
Less provision for impairment of receivables		-	-	-	-
		2,729	**60**	**2,729**	**60**
Total receivables		**34,871**	**35,066**	**162,718**	**160,943**

(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. An impairment loss of $111,000 (2014: $106,000) has been recognised by the Consolidated Entity and $111,000 (2014: $106,000) 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 $4,392,000 (2014: $4,596,000); Parent $4,392,000 (2014: $4,596,000).

Refer to Note 23, Financial Risk Management for the ageing analysis of receivables.

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

	Note	Consolidated		Parent	
		2015 $000	2014 $000	2015 $000	2014 $000
At 1 July		106	218	106	218
Increase in provision for impairment recognised during the year		83	104	83	104
Receivables written off during the year		(293)	(264)	(293)	(264)
Amounts reversed during the year		216	48	216	48
		111	**106**	**111**	**106**

(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 23 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 23, Financial Risk Management.

Note 7. Property, infrastructure, plant and equipment

Purpose group – Transportation and communications*

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

	Note	Consolidated		Parent	
		2015 $000	2014 $000	2015 $000	2014 $000
Land					
Rail corridor land – at fair value		2,557,826	1,720,868	2,557,826	1,720,868
Non-rail corridor land – at fair value		1,829,777	1,301,563	1,829,777	1,301,563
Total land		**4,387,603**	**3,022,431**	**4,387,603**	**3,022,431**
Buildings and structures					
Net fair value		7,258,600	4,667,490	7,258,600	4,667,490
Accumulated depreciation		-	(288,312)	-	(288,312)
Carrying amount		**7,258,600**	**4,379,178**	**7,258,600**	**4,379,178**
Cost		-	535,689	-	535,689
Accumulated depreciation		-	(13,799)	-	(13,799)
Carrying amount		**-**	**521,890**	**-**	**521,890**
Total buildings and structures after depreciation		**7,258,600**	**4,901,068**	**7,258,600**	**4,901,068**
Track					
Net fair value		7,059,165	5,720,454	7,059,165	5,720,454
Accumulated depreciation		-	(303,729)	-	(303,729)
Carrying amount		**7,059,165**	**5,416,725**	**7,059,165**	**5,416,725**
Cost		-	491,827	-	491,827
Accumulated depreciation		-	(16,762)	-	(16,762)
Carrying amount		**-**	**475,065**	**-**	**475,065**
Total Track after depreciation		**7,059,165**	**5,891,790**	**7,059,165**	**5,891,790**
Signals and communication					
Net fair value		3,104,678	2,461,480	3,104,678	2,461,480
Accumulated depreciation		-	(468,542)	-	(468,542)
Carrying amount		**3,104,678**	**1,992,938**	**3,104,678**	**1,992,938**
Cost		-	587,985	-	587,985
Accumulated depreciation		-	(39,648)	-	(39,648)
Carrying amount		**-**	**548,337**	**-**	**548,337**
Total signals and communication after depreciation		**3,104,678**	**2,541,275**	**3,104,678**	**2,541,275**

*All of the Consolidated Entity's assets belong to the one purpose group for the purposes of FRD 103F reporting.

	Note	Consolidated 2015 $000	Consolidated 2014 $000	Parent 2015 $000	Parent 2014 $000
Plant and equipment					
Net fair value		3,118,641	2,692,126	1,115,041	919,024
Accumulated depreciation		-	(177,857)	-	(104,761)
		3,118,641	**2,514,269**	**1,115,041**	**814,263**
Finance lease net fair value		935,889	1,046,792	1,739	2,400
Accumulated depreciation		-	(99,872)	-	(758)
		935,889	**946,920**	**1,739**	**1,642**
Cost		-	851,849	-	218,068
Accumulated depreciation		-	(167,872)	-	(27,369)
Carrying amount		-	683,977	-	190,699
Total plant and equipment after depreciation		**4,054,530**	**4,145,166**	**1,116,780**	**1,006,604**
Intangible – Software and licences					
Net fair value		250,999	245,841	250,999	245,841
Accumulated depreciation		(75,384)	(50,721)	(75,384)	(50,721)
Total software and licences		**175,615**	**195,120**	**175,615**	**195,120**
Capital works in progress					
Leasehold improvements/renewals		2,084,837	4,461,567	2,084,837	4,461,567
Rolling stock under construction		254,393	361,476	-	-
Other		101,715	80,994	101,715	80,994
Total capital works in progress		**2,440,945**	**4,904,037**	**2,186,552**	**4,542,561**
Total property, infrastructure, plant and equipment		**28,481,136**	**25,600,887**	**25,288,993**	**22,100,849**

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 (cont.)

Consolidated	Land $'000	Buildings & structures $'000	Track $'000	Signals & comms. $'000	Plant & equipment $'000	Intangible – software & licences $'000	WIP $'000	Total $'000
2015								
Carrying amount at 1 July 2014	3,002,430	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)	-
Carrying value at 30 June 2015	**4,387,603**	**7,258,600**	**7,059,165**	**3,104,678**	**4,054,530**	**175,615**	**2,440,945**	**28,481,136**
2014								
Carrying amount at 1 July 2013	3,035,435	5,025,780	5,853,378	2,601,878	4,130,952	100,252	3,323,179	24,070,852
Additions (*)	-	1,242	-	-	908	-	2,142,463	2,144,613
Disposals	(17,191)	-	-	-	(476)	-	-	(17,667)
Reclassification	-	(20,477)	(1,209)	1,562	-	(20,361)	40,485	-
Revaluation movement	-	-	-	-	-	-	-	-
Depreciation charge for the year	0	(105,477)	(101,657)	(185,871)	(175,657)	(28,251)	-	(596,913)
Transferred from WIP	4,186	-	141,278	123,706	189,439	143,480	(602,089)	-
Carrying value at 30 June 2014	**3,022,431**	**4,901,068**	**5,891,790**	**2,541,275**	**4,145,166**	**195,120**	**4,904,037**	**25,600,887**

(*) Includes infrastructure improvements/renewals undertaken by lessees/sub-lessees.

Parent	Land $'000	Buildings & structures $'000	Track $'000	Signals & comms. $'000	Plant & equipment $'000	Intangible – software & licences $'000	WIP $'000	Total $'000
2015								
Carrying amount at 1 July 2014	3,022,430	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)	-
Carrying value at 30 June 2015	**4,387,603**	**7,258,600**	**7,059,165**	**3,104,678**	**1,116,780**	**175,615**	**2,186,552**	**25,288,993**
2014								
Carrying amount at 1 July 2013	3,035,435	5,025,780	5,853,378	2,601,878	951,608	100,252	3,026,736	20,595,067
Additions (*)	-	1,242	-	-	908	-	2,003,301	2,005,451
Disposals	(17,191)	-	-	-	(476)	-	-	(17,667)
Reclassification	-	(20,477)	(1,209)	1,562	-	(20,361)	40,485	-
Revaluation movement	-	-	-	-	-	-	-	-
Depreciation charge for the year	-	(105,477)	(101,657)	(185,871)	(60,747)	(28,251)	-	(482,003)
Transferred from WIP	4,186	-	141,278	123,706	115,311	143,480	(527,961)	-
Carrying value at 30 June 2014	**3,022,430**	**4,901,068**	**5,891,790**	**2,541,275**	**1,006,604**	**195,120**	**4,542,561**	**22,100,849**

(*) Includes infrastructure improvements/renewals undertaken by lessees/sub-lessees.

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

Purpose group – Transportation and communications

(b) Valuations of land

Land is shown at fair value based on an independent valuation undertaken by the Valuer General Victoria as at 30 June 2015. Prior to 30 June 2015 fair value assessment have been undertaken using indices based (where required) in accordance with *FRD103F Non Current Physical Assets*.

(c) Valuations of building and structures

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

(d) Valuations of track

Track is shown based on an independent valuation undertaken by the Valuer General Victoria as at 30 June 2015. The fair value was determined on the basis of depreciated replacement cost. Prior to 30 June 2015 an impairment analysis has been carried out annually since the last formal revaluation with no impairment noted.

(e) Valuations of signals and communication

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

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

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

(g) Fair value measurements

Victorian Rail Track 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 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, Victorian Rail Track has classified its assets into the appropriate level of the fair value hierarchy as prescribed under the accounting standards in the following table.

2015	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Consolidated				
Land	-	-	4,387,603	4,387,603
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	**-**	**-**	**25,864,576**	**25,864,576**
Parent				
Land	-	-	4,387,603	4,387,603
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	**-**	**-**	**22,926,826**	**22,926,826**

2014	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Consolidated				
Land	-	-	3,022,431	3,022,431
Buildings and structures	-	-	4,901,068	4,901,068
Track	-	-	5,891,790	5,891,790
Signals and communications	-	-	2,541,275	2,541,275
Property and equipment	-	-	4,145,166	4,145,166
Total non financial assets	**-**	**-**	**20,501,730**	**20,501,730**
Parent				
Land	-	-	3,022,431	3,022,431
Buildings and structures	-	-	4,901,068	4,901,068
Track	-	-	5,891,790	5,891,790
Signals and communications	-	-	2,541,275	2,541,275
Property and equipment	-	-	1,006,604	1,006,604
Total non financial assets	**-**	**-**	**17,363,168**	**17,363,168**

Victorian Rail Track'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*

(g) Fair value measurements (cont.)

(ii) Valuation techniques used to determine fair values

In addition to the Australian Accounting Standards and Interpretations, as a public sector agency Victorian Rail Track is also required to comply with the Financial Reporting Directions issued by the Department of Treasury and Finance. *FRD 103F Non-Current Physical Assets* ("FRD 103") requires all non-current physical assets to be measured (after initial recognition at cost) using the revaluation model. In accordance with FRD 103F requirements, Victorian Rail Track has adopted fair value for all its classes of fixed assets except capital works in progress. Victorian Rail Track 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 deteriation 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 of VicTrack 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 VicTrack's determined depreciation rates can not 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 2015 for recurring fair value measurements:

	Parent & Consolidated			
2015	**Land $000**	**Buildings and structures $000**	**Track $000**	**Signals and communi-cations $000**
Opening balance 1 July 2014	3,022,431	4,901,068	5,891,790	2,541,275
Additions	-	38,552	-	-
Other adjustments	-	-	(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
Transfer from WIP	-	1,857,495	753,514	659,845
Total	**4,387,603**	**7,258,600**	**7,059,165**	**3,104,678**

2015	Parent Property and equipment $000	Consolidated Property and equipment $000
Opening balance 1 July 2014	1,006,604	4,145,166
Other adjustments	(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**

	Parent & Consolidated			
2014	Land $000	Buildings and structures $000	Track $000	Signals and communi-cations $000
Opening balance 1 July 2013	3,035,435	5,025,780	5,853,378	2,601,878
Additions	-	1,242	-	-
Other adjustments	-	(20,477)	(1,209)	1,562
Disposals	(17,191)	-	-	-
Depreciation	-	(105,477)	(101,657)	(185,871)
Transfer from WIP	4,186	-	141,278	123,706
Total	**3,022,431**	**4,901,068**	**5,891,790**	**2,541,275**

2014	Parent Property and equipment $000	Consolidated Property and equipment $000
Opening balance 1 July 2014	951,608	4,130,952
Additions	908	908
Disposals	(476)	(476)
Other adjustments	-	952
Depreciation	(60,747)	(175,657)
Transfer from WIP	115,311	188,487
Total	**1,006,604**	**4,145,166**

(iv) Changes in valuation techniques

There were no changes in valuation techniques during the year.

(v) Valuation process

Victorian Rail Track 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 FRD 103F 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 per cent, a managerial revaluation will be performed. To the extent that the compounded movement in the fair value inputs equals or exceeds 40 per cent, 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 per cent.

As at 30 June 2014, management assessed that the compounded movement in the fair value inputs since the last full revaluation date was less than 10 per cent and therefore no adjustment to carrying amount is required. Values calculated during the 30 June 2011 full independent valuation were escalated to 30 June 2014 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.

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

Purpose group – Transportation and communications*

(h) Cranbourne-Pakenham Rail Corridor project

On 31 March 2015 the Victorian Government announced that it was not proceeding with the Cranbourne Pakenham Rail Corridor Project. The Government further announced that it would be undertaking an alternative project, the Cranbourne Pakenham Line Upgrade, to upgrade the corridor which would include the purchase of 37 new trains. Procurement of the new rolling stock will be via a PPP, however ownership arrangements have not yet been finalised. Level crossing removals and track, signalling and power upgrades across the corridor will be deliver either as alliances or under design and construct contracts. All of these assets will be owned by VicTrack and included in the Infrastructure Lease with PTV.

(i) Assets pledged as security

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

Note 8. Trade and other payables

	Note	Consolidated		Parent	
		2015 $'000	2014 $'000	2015 $'000	2014 $'000
Trade and other payables		36,480	45,247	35,403	44,180
Total trade and other payables		**36,480**	**45,247**	**35,403**	**44,180**

Trade and other payables are normally settled within 45 days from the date of recognition.

(a) Fair value

Due to the short-term nature of trade and other payables, their carrying value approximates their fair value.

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

Refer to note 23 for the nature and extent of risks raising from contractual payables.

Note 9. Provisions

Current Provisions	Note	Consolidated 2015 $'000	Consolidated 2014 $'000	Parent 2015 $'000	Parent 2014 $'000
Employee benefits					
Annual Leave					
Unconditional and expected to settle within 12 months		2,357	2,072	2,357	2,072
Unconditional and expected to settle after 12 months		601	526	601	526
Long service leave					
Unconditional and expected to settle within 12 months		443	445	443	445
Unconditional and expected to settle after 12 months		4,958	4,264	4,958	4,264
Other employee benefits					
Unconditional and expected to settle within 12 months		900	676	900	676
		9,259	**7,983**	**9,259**	**7,983**
Provisions for on-costs					
Unconditional and expected to settle within 12 months		471	426	471	426
Unconditional and expected to settle after 12 months		848	726	848	726
		1,318	**1,152**	**1,318**	**1,152**
Total current provisions		**10,577**	**9,135**	**10,577**	**9,135**
Non-current provisions					
Employee benefits		1,073	820	1,073	820
On-costs		164	124	164	124
		1,237	**944**	**1,237**	**944**
Other provision					
Make-good provision		10,003	10,003	10,003	10,003
Total non-current provisions		**11,240**	**10,947**	**11,240**	**10,947**
Total provisions		**21,817**	**20,082**	**21,817**	**20,082**
Employee benefits and on-costs					
Current					
Long service leave		6,225	5,422	6,225	5,422
Annual leave		3,408	2,992	3,408	2,992
Other employee benefits		944	720	944	720
		10,577	**9,135**	**10,577**	**9,135**
Non-current					
Long service leave		1,237	944	1,237	944
		1,237	**944**	**1,237**	**944**
Total employee benefits and on-costs provisions		**11,814**	**10,079**	**11,814**	**10,079**

Note 9. Provisions (cont.)

(a) Movement in provisions

Consolidated Entity and Parent Entity	Make good provision $'000	On-costs $'000	Total $'000
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 settlement without cost	-	(9)	(9)
Balance at 30 June 2015	**10,003**	**1,482**	**11,485**
2014			
Balance at 1 July 2013	4,581	1,097	5,678
Additional provision recognised	5,422	744	6,166
Reductions arising from payments	-	(563)	(563)
Movement resulting from re-measurement or settlement without cost	-	(2)	(2)
Balance at 30 June 2014	**10,003**	**1,276**	**11,279**

Note 10. Borrowings

	Note	Consolidated		Parent	
		2015 $'000	2014 $'000	2015 $'000	2014 $'000
Secured loan		228,750	255,095	-	-
Lease liability		524,471	590,150	1,749	1,654
		753,221	**845,245**	**1,749**	**1,654**
Reconciled by:					
Current					
Secured loan		33,068	31,951	-	-
Lease liability		64,838	66,745	770	972
		97,906	**98,696**	**770**	**972**
Non-current					
Secured loan		195,682	223,144	-	-
Lease liability		459,633	523,405	979	681
		655,315	**746,549**	**979**	**681**
Total borrowings		**753,221**	**845,245**	**1,749**	**1,654**

(a) Fair value

The fair values of borrowings are disclosed in Note 23, 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 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 contractual liabilities.

(d) Maturity analysis

Refer to note 23 for the maturity analysis of borrowings.

Note 11. Equity and movements in equity – Consolidated Entity

Contributed capital

	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**

	Capital 1 July 2013 $'000	Capital returned $'000	Additional capital $'000	Capital 30 June 2014 $'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	7,586,225	-	2,084,423	9,670,648
Total assets	**11,610,703**	**-**	**2,084,423**	**13,695,126**
Liabilities				
Provision for employee benefits	(6,959)	-	-	(6,959)
Total liabilities	**(6,959)**	**-**	**-**	**(6,959)**
Contributed capital at the end of the year	**11,603,744**	**-**	**2,084,423**	**13,688,167**

Note 11. Equity and movements in equity – Parent Entity

Contributed capital

	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**

	Capital 1 July 2013 $'000	Capital returned $'000	Additional capital $'000	Capital 30 June 2014 $'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	5,999,273	-	1,945,260	7,944,533
Total assets	**10,017,722**	**-**	**1,945,260**	**11,962,982**
Liabilities				
Provision for employee benefits	(6,959)	-	-	(6,959)
Total liabilities	**(6,959)**	**-**	**-**	**(6,959)**
Contributed capital at the end of the year	**10,010,762**	**-**	**1,945,260**	**11,956,023**

Capital management

Management controls the capital of the Group in order to maintain a good debt to equity ratio. The Group's debt and capital includes ordinary contributed capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements. There have been no changes in the strategy adopted by management to manage the capital of the Group since the prior year.

Note 12. Reserves

	Note	Consolidated		Parent	
		2015 $'000	2014 $'000	2015 $'000	2014 $'000
(i) Physical asset revaluation surplus					
Balance at beginning of financial year		8,823,127	8,831,097	8,174,358	8,182,328
Revaluation increments/ (decrements)		2,211,117	-	2,627,175	-
Adjustments, disposal & transferred out		(7,292)	(7,970)	(7,292)	(7,970)
Changes In physical asset revaluation surplus		**2,203,825**	**(7,970)**	**2,619,883**	**(7,970)**
Net increment after income tax					
Income tax on physical asset revaluation surplus		(251,380)	-	(376,198)	-
Balance at the end of financial year		**10,775,572**	**8,823,127**	**10,418,043**	**8,174,358**

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

Note 13. Reconciliation of net result for the reporting period to net cash flow from operating activities

(a) Reconciliation of cash and cash equivalents

For the purpose of the Cash flow statement, cash includes short-term deposits that are readily convertible to cash on hand and which are subject to an 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 2015 (2014: Nil).

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

	Consolidated		Parent	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Net result for the period	(351,992)	(309,937)	(330,903)	(302,947)
Adjustments for:				
Depreciation/ amortisation	642,599	596,913	522,428	482,003
Fair value adjustments	(1,143)	(1,365)	-	-
Loss/(profit) on sale of assets	(8,457)	(4,898)	(8,457)	(4,898)
Tax equivalent (expense)/ benefit	(150,882)	(162,821)	(141,844)	(130,034)
Changes in assets/liabilities:				
(Increase)/ decrease in receivables	(1,668)	(11,155)	(1,775)	(10,589)
Increase/ (decrease) in other payables	(2,853)	22,398	(3,448)	22,698
Net cash flow provided by/(used in) operating activities	**125,604**	**129,135**	**36,001**	**56,233**

Note 14. National Tax Equivalent Regime

(a) Income tax

	Consolidated		Parent	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Current income tax (expense)/benefit	97,233	87,078	71,034	59,557
Adjustment in respect of current income tax of previous years	789	-	-	-
Deferred income tax	52,860	75,743	70,810	70,477
Total income tax (expense)/ benefit	**150,882**	**162,821**	**141,844**	**130,034**

(b) Income tax reconciliation

	Consolidated		Parent	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Accounting profit/ (loss) before tax	(502,874)	(472,758)	(472,747)	(432,981)
Income tax (expense)/ benefit at company tax rate of 30%	150,862	141,827	141,824	129,894
Deferred income tax benefit in respect of previous year	-	20,854	-	-
Non-allowable items	20	140	20	140
	150,882	**162,821**	**141,844**	**130,034**

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

	Consolidated		Parent	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
(Increase)/ decrease in deferred tax liabilities	72,500	88,216	70,260	67,530
Increase/ (decrease) in deferred tax assets	(19,640)	(12,472)	550	2,949
	52,860	**75,743**	**70,810**	**70,477**

(d) Amounts charged directly to equity

	Consolidated		Parent	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Retained profits				
Adjustment to prior year tax loss	789	-	-	-
Revaluation reserves				
Revaluations of plant and equipment	(251,380)	-	(376,198)	-

(e) Deferred tax assets

The balance comprises temporary differences attributable to:

	Consolidated		Parent	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Fair value of loan	1,184	1,184	-	-
Finance lease liability	156,884	177,045	525	496
Accrued leave	3,544	3,024	3,544	3,024
Provision for asset decommissioning	3,001	3,001	3,001	3,001
Doubtful debts	33	32	33	32
Losses available for offset	445,878	347,855	267,337	196,333
Total deferred tax assets	**610,524**	**532,141**	**274,440**	**202,886**

(f) Deferred tax liabilities

The balance comprises temporary differences attributable to:

	Consolidated		Parent	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Revaluation of plant and equipment	(2,993,138)	(2,741,758)	(2,828,505)	(2,452,307)
Accelerated depreciation	(147,917)	(217,334)	(203,583)	(273,872)
Finance lease assets	(280,767)	(283,849)	(522)	(493)
Fair value of loan	(40)	(40)	-	-
Total deferred tax liabilities	**(3,421,862)**	**(3,242,981)**	**(3,032,610)**	**(2,726,672)**
Net deferred tax assets/ (liabilities)	**(2,811,338)**	**(2,710,840)**	**(2,758,170)**	**(2,523,786)**

(g) Movement in deferred tax assets/ (liabilities)

	Consolidated		Parent	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Opening balance	(2,710,840)	(2,873,665)	(2,523,786)	(2,653,821)
Charged to income tax expense	52,860	75,743	70,810	70,477
Charge to equity	(251,380)	-	(376,198)	-
Movement in tax losses	98,023	87,077	71,004	59,557
Closing balance	**(2,811,338)**	**(2,710,840)**	**(2,758,170)**	**(2,523,786)**

Note 15. 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 as at 30 June 2015 was 324 (2014: 307).

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

Superannuation fund (*)	30 June 2015 contributions $'000	Contributions outstanding as at 30 June 2015 $'000	30 June 2014 contributions $'000	Contributions outstanding as at 30 June 2014 $'000
Transport Superannuation Scheme	339	41	364	42
State Superannuation Scheme	326	36	304	37
VicSuper Scheme	1,286	164	1,157	174
Other	1,658	263	1,409	263
	3,609	**504**	**3,234**	**516**

(*) These superannuation contributions relate to Victorian Rail Track 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 16. Capital commitments

	Consolidated		Parent	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Within one year	10,109	10,343	10,109	10,343
One year or later and not later than five years	5,182	3,260	5,182	3,260
Later than five years	-	-	-	-
Total capital commitments	**15,291**	**13,603**	**15,291**	**13,603**

Note 17. Lease commitments

	Consolidated		Parent	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Operating leases payable				
Within one year	1,641	1,579	1,641	1,579
Later than one year but not later than five years	1,238	2,785	1,238	2,785
Later than five years	-	-	-	-
Total operating lease commitments	**2,879**	**4,364**	**2,879**	**4,364**

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	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Finance leases				
Within one year	119,798	128,337	860	1,033
Later that one year but not later than five years	603,665	609,594	984	703
Later than five years	3,762	112,728	-	-
Minimum finance lease payments	**727,225**	**850,659**	**1,844**	**1,736**
Less:				
Recoverable GST	(52,272)	(58,850)	-	-
Future finance lease charges	(150,481)	(201,659)	(95)	(82)
Present value of minimum finance lease payments	**524,472**	**590,150**	**1,749**	**1,654**

Finance leases relating to the introduction of new rolling stock have an average lease term of 15 years (2014: 15 years) and an average implicit discount rate of 9.89% (2014: 9.89%).

Note 18. 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	
		2015	2014
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 19. 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 (DPT)

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, 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.

VicTrack is currently involved in a number 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. The maximum, aggregated, financial effect, if VicTrack is liable in all the above cases, is likely to be no more than $815,000.

Note 20. Ministers, the Board of Directors and Accountable Officer

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

The Hon Terry Mulder MP, former Minister for Public Transport

The Hon Michael O'Brien MP, former Treasurer

Directors of the Board:

Mr John Lenders (Chair) – appointed 1 April 2015

Mr Bob Annells (Chair) – resigned 31 March 2015

Mr Yehudi Blacher (Deputy Chair)

Ms Sam Andersen

Mr Brian Bulluss

Mr David Hunter

Mr Michael Trumble

Ms Jenny Roche – resigned 18 December 2014

Accountable Officer:

Mr Campbell A. Rose

Remuneration of Responsible Persons:

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

Income Band	Consolidated		Parent	
	2015 No.	2014 No.	2015 No.	2014 No.
$10,000 to $19,999	2	-	2	-
$30,000 to $39,999	5	4	5	4
$40,000 to $49,999	-	2	-	2
$80,000 to $89,999	1	-	1	-
$100,000 to $109,999	-	1	-	1
$370,000 to $379,999	-	1	-	1
$440,000 to $449,999	1	-	1	-

Total Remuneration of Responsible Persons: $748,291 (2014: $716,927).

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 2015 year included the total salary package received during the year and a provision for performance bonus relating to the 30 June 2015 year.

Note 21. 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.

Income band	Total remuneration		Base remuneration	
	2015 No.	2014 No.	2015 No.	2014 No.
<$100,000	2	5	2	7
$110,000 - $119,999	1	2	1	2
$120,000 - $129,999	-	-	-	1
$130,000 - $139,999	1	1	1	-
$140,000 - $149,999	2	-	2	1
$150,000 - $159,999	-	1	-	1
$160,000 - $169,999	1	-	1	3
$170,000 - $179,999	4	2	4	2
$180,000 - $189,999	4	1	4	-
$190,000 - $199,999	1	2	1	3
$200,000 - $209,999	-	3	-	-
$210,000 - $219,999	-	-	-	2
$220,000 - $229,999	1	3	1	-
$230,000 - $239,999	1	1	1	-
$240,000 - $249,999	1	1	1	1
$250,000 - $259,999	1	-	1	-
$260,000 - $269,999	-	1	-	-
$270,000 - $279,999	1	-	1	-
$320,000 - $329,999	-	1	-	-
Total numbers	**21**	**24**	**21**	**24**
Total annualised employee equivalent	**17.4**	**18.3**	**17.4**	**18.3**
Total amount	**$3,679,015**	**$4,075,788**	**$3,498,152**	**$3,335,488**

The Executive Officers' remuneration for the years ended 30 June 2015 and 30 June 2014 include the total salary package received during the year as well as performance bonuses relating to the years ended 30 June 2015 and 30 June 2014 respectively.

The executive officer's remuneration amounts for the consolidated entity and the parent entity are the same.

Note 22. Remuneration of auditors

	Consolidated		Parent	
	2015 $'000	2014 $'000	2015 $'000	2014 $'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	23	39	23
Payable as at 30 June	114	127	53	67
Total financial statements audit	**153**	**150**	**92**	**87**

Note 23. Financial risk management

The consolidated entity's financial instruments consist mainly of cash, deposits with banks, other financial assets, 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 of Directors on a regular basis.

These include the credit risk policies and future cash flow requirements.

The consolidated entity does not have any derivative instruments at 30 June 2015 & 2014.

The Board of Directors, 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.

Risk management policies are approved and reviewed by the Board on a regular basis. These include credit risk policies and future cash flow requirements.

The main risks the Group 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 as detailed in the accounting policies to these financial statements, are as follows:

Categorisation of financial instruments:

Consolidated	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
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 liabilities	**-**	**-**	**-**	**-**	**789,700**	**789,700**
2014						
Contractual financial assets						
Cash and deposits	-	-	36,978	-	-	36,978
Other financial assets	-	-	100	-	-	100
Trade and other receivables	-	-	35,066	-	-	35,066
Total contractual financial assets	**-**	**-**	**72,144**	**-**	**-**	**72,144**
Contractual financial liabilities						
Trade and other payables	-	-	-	-	45,247	45,247
Secured loan	-	-	-	-	255,095	255,095
Lease liability	-	-	-	-	590,150	590,150
Total contractual liabilities	**-**	**-**	**-**	**-**	**890,491**	**890,491**

Note 23. Financial risk management (cont.)

Financial risk management policies (cont.)

Categorisation of financial instruments (cont.):

Parent	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
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 liabilities	**-**	**-**	**-**	**-**	**37,152**	**37,152**
2014						
Contractual financial assets						
Cash and deposits	-	-	36,060	-	-	36,060
Other financial assets	-	-	-	-	-	-
Trade and other receivables	-	-	160,943	-	-	160,943
Total contractual financial assets	**-**	**-**	**197,003**	**-**	**-**	**197,003**
Contractual financial liabilities						
Trade and other payables	-	-	-	-	44,180	44,180
Secured loan	-	-	-	-	-	-
Lease liability	-	-	-	-	1,654	1,654
Total contractual liabilities	**-**	**-**	**-**	**-**	**45,834**	**45,834**

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

Consolidated	Net holding gain/(loss) $'000	Total interest income/ (expense) $'000	Fee income/ (expense) $'000	Impairment loss $'000	Total $'000
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 liabilities	**-**	**(70,039)**		**-**	**(70,039)**
2014					
Contractual financial assets					
Financial assets designated at fair value through profit/loss	-	-	-	-	-
Financial assets – loans and receivables	-	1,295	-	(106)	1,189
Financial assets available-for-sale recognised in net result	-	-	-	-	-
Financial assets available-for-sale recognised in other comprehensive result	-	-	-	-	-
Total contractual financial assets	**-**	**1,295**	**-**	**(106)**	**1,189**
Contractual financial liabilities					
Financial liabilities at amortised cost	-	(77,353)	-	-	(77,353)
Financial liabilities designated at fair value through profit/loss	-	-	-	-	-
Total contractual liabilities	**-**	**(77,353)**		**-**	**(77,353)**

Note 23. Financial risk management (cont.)

Financial risk management policies (cont.)

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

Parent	Net holding gain/(loss) $'000	Total interest income/ (expense) $'000	Fee income/ (expense) $'000	Impairment loss $'000	Total $'000
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 liabilities	**-**	**-**	**-**	**-**	**-**
2014					
Contractual financial assets					
Financial assets designated at fair value through profit/loss	-	-	-	-	-
Financial assets – loans and receivables	-	1,295	-	(106)	1,189
Financial assets available-for-sale recognised in net result	-	-	-	-	-
Financial assets available-for-sale recognised in other comprehensive result	-	-	-	-	-
Total contractual financial assets	**-**	**1,295**	**-**	**(106)**	**1,189**
Contractual financial liabilities					
Financial liabilities at amortised cost	-	-	-	-	-
Financial liabilities designated at fair value through profit/loss	-	-	-	-	-
Total contractual liabilities	**-**	**-**	**-**	**-**	**-**

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

The net holding gains or losses disclosed opposite 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;
- 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 cash flows 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 VicTrack uses. Minimisation of risk is achieved by undertaking short term interest bearing financial assets with Treasury Corporation of Victoria 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 undertaking 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 2015 was 2.20% (2014: 2.38%). 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% (2014: 5.15%).

(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 the Department of Planning, Transport and Local Infrastructure 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.

Note 23. Financial risk management (cont.)

(a) Market risk (cont.)

(iii) Interest rate risk

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

Interest rate exposure of financial instruments

Consolidated	Weighted average effective interest rate %	Carrying amount $'000	Fixed interest rate $'000	Variable interest rate $'000	Non-interest bearing $'000
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		**789,701**	**753,221**	**-**	**36,480**
2014					
Financial assets					
Cash assets	2.38	36,978	-	36,907	71
Other financial assets	5.15	100	100	-	-
Trade and other receivables	-	35,066	-	-	35,066
Total financial assets		**72,144**	**100**	**36,907**	**35,137**
Financial liabilities					
Trade and other payables	-	45,247	-	-	45,247
Secured loan	5.37- 6.59	255,095	255,095	-	-
Finance lease	10.14	590,150	590,150	-	-
Total financial liabilities		**890,492**	**845,245**	**-**	**45,247**

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

Interest rate exposure of financial instruments

Parent	Weighted average effective interest rate %	Carrying amount $'000	Fixed interest rate $'000	Variable interest rate $'000	Non-interest bearing $'000
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**
2014					
Financial assets					
Cash assets	2.38	36,060	-	36,060	-
Other financial assets	-	-	-	-	-
Trade and other receivables	-	160,943	-	-	160,943
Total financial assets		**197,003**	**-**	**36,060**	**160,943**
Financial liabilities					
Trade and other payables	-	45,247	-	-	45,247
Secured loan	-	-	-	-	-
Finance lease	5.88	1,654	1,654	-	-
Total financial liabilities		**46,901**	**1,654**	**-**	**45,247**

Note 23. Financial risk management (cont.)

(b) Credit risk

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

Credit risk arises from the financial assets of VicTrack, 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 VicTrack for more than one year.

	Financial institutions (AAA credit rating) $'000	Government agencies (AAA credit rating) $'000	Total $'000
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**
2014			
Consolidated			
Cash and cash deposits	8,015	28,963	36,978
Other financial assets	100	-	100
	8,115	**28,963**	**37,078**
Parent			
Cash and cash deposits	7,097	28,963	36,060
Other financial assets	-	-	-
	7,097	**28,963**	**36,060**

Ageing analysis of contractual financial assets

	Carrying amount $'000	Not past due and not impaired $'000	Past due but not impaired 31-90 days $'000	Past due but not impaired 91-180 days $'000	Past due but not impaired Over 180 days $'000	Impaired financial assets $'000
2015						
Consolidated						
Cash and cash deposits	30,677	30,677	-	-	-	-
Other financial assets	100	100	-	-	-	-
Trade and other receivables	34,871	30,368	4,295	111	97	(111)
	65,648	**61,145**	**4,295**	**111**	**97**	**(111)**
Parent						
Cash and cash deposits	29,885	29,885	-	-	-	-
Other financial assets	-	-	-	-	-	-
Trade and other receivables	162,718	158,215	4,295	111	97	(111)
	192,603	**188,100**	**4,295**	**111**	**97**	**(111)**
2014						
Consolidated						
Cash and cash deposits	36,978	36,978	-	-	-	-
Other financial assets	100	100	-	-	-	-
Trade and other receivables	35,066	30,469	4,457	70	70	(106)
	72,144	**67,547**	**4,457**	**70**	**70**	**(106)**
Parent						
Cash and cash deposits	36,060	36,060	-	-	-	-
Other financial assets	0	0	-	-	-	-
Trade and other receivables	160,943	156,346	4,457	70	70	(106)
	197,003	**192,406**	**4,457**	**70**	**70**	**(106)**

(c) Liquidity risk

Liquidity risk arises when VicTrack 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 cash flows. Notwithstanding the deficiency in the net current assets of $80.0 million (2014: $88.2 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.

Note 23. Financial risk management (cont.)

(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 cash flows.

Contractual maturities of financial instruments	Less than 1 year $'000	Between 1 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount $'000
2015					
Consolidated					
Liquid financial assets					
Cash and cash deposits	30,677	-	-	30,677	30,677
Other financial assets	100	-	-	100	100
	30,777	**-**	**-**	**30,777**	**30,777**
Financial liabilities					
Trade and other payables	36,480	-	-	36,480	36,480
Due to related parties	-	-	-	-	-
Secured loans	33,068	143,451	52,230	228,750	228,750
Finance leases	64,838	459,633	-	524,472	524,472
	134,387	**603,084**	**52,230**	**789,704**	**789,704**
Net inflow/(outflow)	**(103,610)**	**(603,084)**	**(52,230)**	**(758,927)**	**(758,927)**
2014					
Consolidated					
Liquid financial assets					
Cash and cash deposits	36,978	-	-	36,978	36,978
Other financial assets	100	-	-	100	100
	37,078	**-**	**-**	**37,078**	**37,078**
Financial liabilities					
Trade and other payables	45,247	-	-	45,247	45,247
Due to related parties	-	-	-	-	-
Secured loans	31,951	127,805	95,338	255,095	255,095
Finance leases	66,745	424,343	99,060	590,150	590,150
	143,943	**552,148**	**194,398**	**890,492**	**890,492**
Net inflow/(outflow)	**(106,865)**	**(552,148)**	**(194,397)**	**(853,414)**	**(853,414)**

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 cash flows.

Contractual maturities of financial instruments	Less than 1 year $'000	Between 1 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount $'000
2015					
Parent					
Liquid financial assets					
Cash and cash deposits	29,885	-	-	29,885	29,885
Other financial assets	-	-	-	-	-
	29,885	**-**	**-**	**29,885**	**29,885**
Financial liabilities					
Trade and other payables	35,403	-	-	35,403	35,403
Due to related parties					
Secured loans	-	-	-		
Finance leases	770	979	-	1,749	1,749
	36,173	**979**	**-**	**37,152**	**37,152**
Net inflow/(outflow)	**(6,288)**	**(979)**	**-**	**(7,267)**	**(7,267)**
2014					
Parent					
Liquid financial assets					
Cash and cash deposits	36,060	-	-	36,060	36,060
Other financial assets	-	-	-	-	-
	36,060	**-**	**-**	**36,060**	**36,060**
Financial liabilities					
Trade and other payables	44,180	-	-	44,180	44,180
Due to related parties					
Secured loans	-	-	-		
Finance leases	972	681	-	1,654	1,654
	45,152	**681**	**-**	**45,834**	**45,834**
Net inflow/(outflow)	**(9,092)**	**(681)**	**-**	**(9,774)**	**(9,774)**

(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 five year period, with all variable other than the primary risk variable held constant. The Consolidated Entity's management can not be expected to predict movements in market rates and prices, sensitivity analyses 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 (2014: 100 basis points up and 100 basis points down) in market interest rates (AUD);

The tables in the following pages discloses the impact on the Consolidated Entity's and corporation's net result and equity for each category of financial instrument held by the Consolidated Entity's and parent entity's at year-end as presented to key management personnel, if the above movements were to occur.

Note 23. Financial risk management (cont.)

(f) Sensitivity analysis – Consolidated

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				
	Carrying amount subject to interest	-1.0%		1.0%	
Market risk exposure	$'000	Net result $'000	Revaluation reserve $'000	Net result $'000	Revaluation reserve $'000
2015					
Financial assets:					
Cash and cash deposits	30,604	(401)	-	401	-
Other financial assets	100	-	-	-	-
Trade and other receivables	34,871	-	-	-	-
Financial liabilities:					
Trade and other payables	36,480	-	-	-	-
Interest-bearing loans and borrowings	753,221	-	-	-	-
Total increase/(decrease)		**(401)**	**-**	**401**	**-**
2014					
Financial assets:					
Cash and cash deposits	36,907	(369)	-	369	-
Other financial assets	100	-	-	-	-
Trade and other receivables	35,066	-	-	-	-
Financial liabilities:					
Trade and other payables	45,247	-	-	-	-
Interest-bearing loans and borrowings	845,245	-	-	-	-
Total increase/(decrease)		**(369)**	**-**	**369**	**-**

There have been no changes in the methods and assumptions used in determining the sensitivity of financial assets/liabilities to market risk.

Sensitivity analysis – Parent

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				
		-1.0%		1.0%	
Market risk exposure	Carrying amount subject to interest $'000	Net result $'000	Revaluation reserve $'000	Net result $'000	Revaluation reserve $'000
2015					
Financial assets:					
Cash and cash deposits	29,885	(394)	-	394	-
Other financial assets	-	-	-	-	-
Trade and other receivables	162,718	-	-	-	-
Financial liabilities:					
Trade and other payables	35,403	-	-	-	-
Interest-bearing loans and borrowings	1,749	-	-	-	-
Total increase/(decrease)		**(394)**		**394**	
2014					
Financial assets:					
Cash and cash deposits	36,060	(369)	-	369	-
Other financial assets	-	-	-	-	-
Trade and other receivables	160,943	-	-	-	-
Financial liabilities:					
Trade and other payables	45,247	-	-	-	-
Interest-bearing loans and borrowings	1,654	-	-	-	-
Total increase/(decrease)		**(369)**		**369**	

There have been no changes in the methods and assumptions used in determining the sensitivity of financial assets/liabilities to market risk.

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 cash flows, 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 cash flows at the current market interest rate that is available to the consolidated entity's 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.

Note 23. Financial risk management (cont.)

(f) Sensitivity analysis (cont.)

Net fair value of financial assets and liabilities (cont.)

	2015		2014	
	Carrying amount $'000	Net fair value $'000	Carrying amount $'000	Net fair value $'000
Consolidated				
Financial assets				
Cash assets	30,677	30,677	36,978	36,978
Other financial assets	100	100	100	100
Trade and other receivables	34,871	34,871	35,066	35,066
Total financial assets	**65,648**	**65,648**	**72,144**	**72,144**
Financial liabilities				
Trade and other payables	(36,480)	(36,480)	(45,247)	(45,247)
Borrowings	(753,221)	(770,774)	(845,245)	(805,798)
Total financial liabilities	**(789,701)**	**(807,254)**	**(890,492)**	**(851,045)**
Net financial assets	**(724,053)**	**(741,606)**	**(818,348)**	**(778,901)**
Parent				
Financial assets				
Cash assets	29,885	29,885	36,060	36,060
Other financial assets	-	-	-	-
Trade and other receivables	162,718	162,718	160,943	160,943
Total financial assets	**192,603**	**192,603**	**197,003**	**197,003**
Financial liabilities				
Trade and other payables	(35,403)	(35,403)	(44,180)	(44,180)
Borrowings	(1,749)	(1,749)	(1,654)	(1,654)
Total financial liabilities	**(37,152)**	**(37,152)**	**(45,834)**	**(45,834)**
Net financial assets	**155,451**	**155,451**	**151,169**	**151,169**

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 and company's financial instruments are recorded at fair value, the hierarchy table has not been disclosed.

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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.

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FRD 22F	Organisational structure	14
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FRD 13	Disclosure of parliamentary appropriations	N/A
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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 six independent, non-executive Directors – John Lenders (Chair), Yehudi Blacher (Deputy Chair), Sam Andersen, Brian Bulluss, 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. Yehudi is Chair of the new Freight and Logistics Committee. 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.

Sandra (Sam) Andersen *LLB, CPA, FAICD, FFin*
Director

Sam Andersen was appointed a Director of VicTrack in June 2010. She is Chair of the Audit & Risk Management Committee. Sam is also a Director and Chair of the Audit Committee for Anteo Diagnostics Limited, Director and Chair of Risk Management Committee for Beyond Bank Australia, Director of Australian Hearing Services, Member of the Board of Trustees and Chair of Finance & Audit Committee of the Melbourne Convention and Exhibition Trust, and Chair of Audit & Risk Management Committee for the Department of Premier & Cabinet, Victoria.

She began her career with a law degree and subsequently held senior executive positions with ANZ Bank, Commonwealth Bank of Australia and National Australia Bank. Following a career change from banking and finance industry, Sam was the Chief Financial Officer at Lumacom Ltd and Chief Operating and Financial Officer of Multi-Emedia.com Ltd. She led the initial public offering for and became the Managing Director of Eyecare Partners Limited, a company which trebled in size in its first 2 years of operation.

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).

Appendices (cont.)

David Hunter *FIE Aust, Dip BA, GAICD*
Director

David Hunter was appointed a director of VicTrack in September 2011 and is Chair of the Property and Environment Committee and the Heritage Advisory Panel. 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 a member of the Property and Environment 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.

Note: On 1 July 2015 two new Directors to the Board were appointed

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.

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.

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VicTrack

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