



VicTrack

Annual Report 2009–10



Contents

Letter to Ministers

6 September 2010

The Hon Martin Pakula MLC
Minister for Public Transport
and Industrial Relations
Level 16, 121 Exhibition Street
Melbourne VIC 3000

The Hon John Lenders MLC
Treasurer
Level 4, 1 Treasury Place
East Melbourne VIC 3002

Dear Ministers

I have much pleasure in submitting the Annual Report for VicTrack for the period of 1 July 2009 to 30 June 2010 for your presentation to Parliament.

Yours sincerely



Bruce Cohen
Chair

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1: About VicTrack

Above: VicTrack staff inspect fibre optic cable in Flinders Street yards.

VicTrack – a snapshot

VicTrack is a government business enterprise with a charter to add value to the state's public transport assets (primarily rail) and support the delivery of public transport services in a safe and efficient manner.

VicTrack undertakes property, telecommunications and other commercial activities, ranging from extensions to its fibre optic network to investments in freight terminals under its control.

VicTrack revenue funds a wide range of social and environmental activities, including:

- > the restoration of heritage rail buildings and other assets
- > providing more than 400 leases of railway land to local councils and community groups and clubs at non-commercial rentals
- > a significant ongoing program of land decontamination, asbestos identification and removal and flora and fauna management.

VicTrack is also the custodial owner of Victoria's railway land, infrastructure and much of its rolling stock. Almost all these assets are leased to Victoria's rail and tram operators via the Director of Public Transport. The operators are responsible for managing the assets and delivering public transport services or facilitating freight services.

VicTrack was created in 1997 under section 8 of the *Rail Corporations Act 1996* and is a State Owned Enterprise with an independent Board reporting to its sole shareholder, the Victorian Government. Declaration as a State Owned Enterprise took effect in July 2007 and created a dual reporting line to both the Minister for Public Transport and the Treasurer.

In its various businesses, VicTrack works closely with the Department of Transport, Department of Treasury and Finance, public transport franchisees, Department of Innovation, Industry and Regional Development, telecommunications carriers, VicUrban, VicRoads, local councils and a broad range of other stakeholders including peak bodies and community groups.

From 1 July 2010, VicTrack will be governed by Victoria's new principal transport statute, the *Transport Integration Act 2010* which requires all Victorian transport agencies to work together towards the common goal of an integrated and sustainable transport system.

Mission, vision, values

Mission

VicTrack's mission is to improve the value of assets it 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.

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.

Values

Client focus: we inspire trust and confidence through our expertise and commitment to our clients.

Accountability and results: we create an environment where we accept responsibility and take ownership and pride in achieving our goals.

Empowerment: we strive for a culture that motivates, builds confidence and a sense of achievement.

Working together: we create unity by harnessing the different perspectives of our people to reach common goals.

Respect and trust: we build the confidence and trust of our people to communicate freely in an accepting and supportive environment.

Growth and innovation: we grow through innovation, continuous improvement and change.

New horizons: we invest in personal and organisational growth through continuous learning and development.

Broader view: we develop a corporate plan with our stakeholders which identifies our strategic goals to achieve our social, economic and environmental responsibilities.



Above: The Hon Martin Pakula MLC, Minister for Public Transport.

Highlights 2009–10

In 2009–10:

- > VicTrack upgraded safety at 42 road and pedestrian crossings across Victoria by installing boom barriers and/or flashing lights at level crossings and automatic gates at pedestrian crossings. Active Advance Warning Signs were also installed to improve safety at 28 locations and an additional four crib crossings were upgraded to comply with the *Disability Discrimination Act 1992*.
- > The Victorian Railway Crossing Safety Steering Committee approved VicTrack's recommendation to use electromagnetic gate latches on emergency escape gates at Victorian pedestrian crossings. All future pedestrian crossing upgrades will include the new electromagnetic safety system, which is easy to use and requires less ongoing maintenance.
- > A dedicated fibre network was built to connect 12 substations with two control centres in preparation for the Electrol SCADA Replacement Project planned for 2010–11.
- > VicTrack's expanding telecommunications network received 24-hour support via the Network Operations Centre. The centre monitors around 4,000 devices, delivering about 12,000 dedicated customer data services.
- > The intra-Government Secure Network was completed, providing high bandwidth data links for major government departments in Melbourne's CBD with data centres in metropolitan Melbourne and regional Victoria.
- > VicTrack also constructed a secure, high bandwidth network to link the head campuses of nine TAFE institutes throughout Victoria. TAFE Broadband will improve administrative efficiencies and learning outcomes across the sector.
- > Repairs and refurbishments were delivered at four train stations across Victoria in the final year of the \$7 million *Country Station Upgrade Program*. Works included a new waiting room, toilets and booking office at Riddells Creek Station and an upgraded waiting room and booking office at Benalla Station.
- > VicTrack provided planning assistance and strategic advice to the Department of Transport for Regional Rail Link, the new \$4.3 billion rail project which will deliver 50 km of new track between West Werribee and Deer Park and along the existing rail corridor through Sunshine and Footscray to Southern Cross Station.
- > VicTrack worked with Wodonga City Council and other stakeholders to create a plan for development of a large parcel of land in central Wodonga. This development will help revitalise the CBD area and improve transport links. This once-in-a-lifetime opportunity will arise on completion of the Wodonga Rail Bypass.
- > The sale to VicUrban of former transport land in East Coburg was finalised, to facilitate a mixed-use development with an affordable housing component.
- > Use of facilities at Rail Skills Centre – Victoria grew by 15 per cent in 2009–10. The centre is used to meet the training needs of MTM, V/Line, Yarra Trams and others in the train and tram industry.
- > Environmental clean-up works at Spotswood and Bendigo were delivered, to address contamination from historical practices.
- > VicTrack developed a hazardous materials database to enable easy access to survey and management data related to asbestos and other hazardous materials across the VicTrack asset base.
- > More than 96 kL of water was donated to Spotswood Primary School, which was collected via an innovative water harvesting scheme at the nearby Spotswood Depot.
- > VicTrack delivered a program of significant repairs to the Wycheproof Station building and restored it to its original condition for future use by local community groups.
- > An in-principle agreement was reached with Hepburn Shire Council and local community groups to create a community and tourist hub at the former Creswick Station.



Report from the Chair

The past 12 months has been an exciting period for VicTrack as we have continued to provide valuable support to the transport sector and helped to deliver on broader government initiatives.

A key achievement was once again delivering improved safety at 42 Victorian road and pedestrian crossings on behalf of the Department of Transport, surpassing the Victorian Government's target of 37 upgrades for the year. We also installed Active Advanced Warning Signs at 28 locations.

The *Country Station Upgrade Program* was completed in 2010, with upgrades and expanded facilities this year at Riddells Creek, Benalla, Morwell and Wangaratta stations. Over the four years of the program, VicTrack has delivered more than \$7 million worth of repairs and refurbishments.

Telecommunications also continues to provide new opportunities for VicTrack to deliver benefits to the transport sector and to the whole-of-Victorian Government.

The Digital Train Radio System project is an excellent example of the partnership we are forging with the Department of Transport to build a better and safer public transport system. The new system will provide enhanced voice and data communication for the metropolitan train network.

One of our biggest achievements for the year was the completion of the intra-Government Secure Network in October 2009, providing high bandwidth data links between government departments in Melbourne and regional Victoria.

We also delivered TAFE Broadband, a secure, high bandwidth network linking the head campuses of nine Victorian TAFE institutes, improving administrative efficiencies and learning outcomes. Work has started to connect additional campuses by the end of 2010.

This year has also seen VicTrack working with Wodonga City Council to take advantage of an historic opportunity, made possible by the completion of the Wodonga Rail Bypass, to redevelop and revitalise the city's CBD. VicTrack's proposal for the area around the existing station involves the creation of a new town square, new office and retail space and a new transport hub. It will be refined in late 2010 following input from the Wodonga City Council and community consultation.

Preserving Victoria's rail heritage continued to be a priority for VicTrack in 2009–10. Once again, we invested \$1 million in the restoration of heritage assets to preserve Victoria's rich rail history, including restoring Wycheproof Station building to its original condition.

Of course, all of these important outcomes would not be possible without a sound financial base, and it is pleasing that VicTrack's financial position continues to be strong.

I would like to take this opportunity to record my thanks to VicTrack's former Chair, Elana Rubin, and former Deputy Chair, John Anderson who have both retired from the Board this year. Over the past decade, VicTrack has benefited greatly from their leadership, strategic direction and wise counsel. In particular, Elana worked tirelessly as Chair to help transform VicTrack's culture and to build a confident, outward looking organisation that is responsive to community needs.

My thanks also go to my fellow Board members, Chris Lovell (Deputy Chair), James Cain and Jenny Roche for their contributions to VicTrack throughout the year.

I would also like to express my appreciation to the Minister for Public Transport, Martin Pakula, for his support and encouragement and also to the former Minister, Lynne Kosky, for her commitment and guidance over the previous three years.

Finally, I would like to acknowledge the passion and hard work of VicTrack staff, led by Chief Executive Bob McDonald. Through Bob's strong leadership, VicTrack is becoming a more effective, customer-focused organisation and a truly great place to work.

Bruce Cohen

Report from the Chief Executive



Over the past year VicTrack has been working with a renewed focus on supporting transport and addressing whole-of-government needs, in line with the new *Transport Integration Act 2010*.

VicTrack continues to partner with the Department of Transport on a range of projects to deliver a better and safer transport system. In 2009–10 these partnerships ranged from continuing to upgrade safety at level and pedestrian crossings, to working closely with the Department to deliver critical telecommunications projects such as the new Digital Train Radio System.

We are also providing planning input and advice to the Department of Transport on the Regional Rail Link, a \$4.3 billion project that will significantly improve the capacity and reliability of regional and metropolitan rail services.

During the year we formalised our approach to the use of VicTrack land no longer needed for transport purposes, giving greater priority to developments that improve transport access and amenity, safety and security.

We are helping to meet the increasing demand in Victoria (particularly in Melbourne) for affordable housing with access to transport and other amenities. The sale of our land in East Coburg to VicUrban in 2009 will pave the way for a mixed-use development with a much needed affordable housing component.

Throughout the year we continued to manage the growing expectation for environmental best practice by proactively addressing the challenges caused by historical practices on railway land. Land contamination risks were assessed at around 50 sites and a hazardous materials database was developed. We also took steps to build on our sustainability efforts.

Over the past 12 months we maintained a focus on our stakeholders and customers and their changing needs.

Our excellent working relationship with the Department of Transport grew even stronger through a wide range of initiatives and we enjoyed closer collaboration with the Department of Treasury and Finance and other agencies throughout the year.

This year we recognised a need to restructure our Telecommunications Department to ensure transport and other government needs are met as demand for services grows. The restructure consolidated operational and maintenance capabilities, identified new areas for strategic planning and created a single customer relations portal.

Having appointed a dedicated staff member to manage our local government relationships, we are seeing the benefits of greater collaboration on a range of issues. One example is the work we are doing with Horsham Rural City Council to ensure that rail issues are incorporated into planning for rail precincts.

To ensure we remain responsive to our stakeholder and customer needs, we conducted our second stakeholder survey in early 2010. By continuing to assess the way we work and deliver our services, we can build even stronger relationships with our key stakeholders and customers.

Another priority for the year was ensuring VicTrack remains an employer that understands and responds to the needs of its people. We undertook programs to develop the skills of our people via a strong focus on leadership, training and continuous improvement. Our staff survey indicates we are succeeding, with most VicTrack staff feeling fully engaged and supported by the organisation.

Our new Flexible Working Policy allows us to develop as a diverse, flexible and capable workforce and the appointment of a new Corporate Safety Manager will ensure we nurture a safety-first culture across the organisation.

I want to thank the Minister for Public Transport, Martin Pakula, for his support since being appointed in January 2010, as well as the former Minister, Lynne Kosky.

I would also like to thank the many staff we work with from the Department of Transport, the Department of Treasury and Finance and other Victorian Government departments and agencies for their ongoing support and contribution.

I thank VicTrack's Chair, Bruce Cohen, for his input and advice since taking up the role, and especially the former Chair, Elana Rubin, for her long and deep commitment to VicTrack over the past 10 years. I am grateful to Bruce, Elana and the entire Board for their guidance and support.

Finally, I wish to thank VicTrack's executive team and all VicTrack staff for their enthusiasm, hard work and ability to meet new challenges in a rapidly-changing environment.

A handwritten signature in black ink that reads "Bob McDonald". The signature is written in a cursive, flowing style.

Bob McDonald

Government policy framework

With a diverse portfolio of activities, VicTrack actively supports a range of Victorian Government policies. VicTrack's most important objective is to support the priorities of the transport portfolio and contribute to the achievement of the Department of Transport's mission of:

'Building a safer, greener transport system for all Victorians to create a more prosperous and connected community'.

Growing Victoria Together

Growing Victoria Together is the Victorian Government's overarching policy framework for making Victoria a stronger, more caring and innovative state. A vision for Victoria to 2010 and beyond, it is underpinned by the Government's other major policies and strategies.

Key policies most relevant to VicTrack's diverse portfolio of activities are as follows:

Transport portfolio priorities and strategies

The VicTrack Corporate Plan supports the Department of Transport's strategic framework which is drawn from the priorities and strategies detailed in the *Victorian Transport Plan* and *Freight Futures*.

Victorian Transport Plan (VTP)

The *VTP* sets out the steps the Victorian Government will take to transform the state's transport system.

It involves a \$38 billion investment to deliver more trains and trams, more train tracks and stations, better roads and more transport choices in cities, regional centres and country towns to link Victoria's communities.

Through short, medium and long term projects, the government will address population growth, meet the challenge of climate change and build for Victoria's next era of prosperity.

Freight Futures

Freight Futures is the Victorian Government's strategy to drive the development of an efficient, sustainable freight network for the future that balances the needs of the growing Victorian economy and population with the quality-of-life aspirations of the Victorian community.



Above: VicTrack supports the delivery of the Victorian Transport Plan.

Melbourne 2030 and Melbourne @ 5 million

Melbourne 2030, Planning for Sustainable Growth, provides a planning strategy for the whole of metropolitan Melbourne. It establishes broad policies to help build a more sustainable, compact city, and for how and where development and supporting transport infrastructure should occur.

Melbourne @ 5 million builds on the foundations of *Melbourne 2030* and provides a context for the *Victorian Transport Plan*. The initiative most relevant to VicTrack is the designation of six new Central Activities Districts that will be the focus of a substantial proportion of future job growth and public investment.

Efficient Government Policy, Broadband Framework, Pathway to the Future and Innovation: Victoria's Future

The *Efficient Government Policy* outlines savings the Victorian Public Service could achieve by being more efficient in a number of areas including the integration of IT and the use of shared services.

The *Broadband Framework* outlines strategies to make Victoria one of the best-connected communities and most effective users of broadband in the world. Strategic thrusts of the framework include the delivery of telecommunications infrastructure, improved delivery of government services and reduced costs for households and businesses.

Innovation: Victoria's Future provides the strategic direction and investment needed to drive Victoria's science, technology and innovative capabilities. ICT figures strongly in terms of building a more productive and competitive 21st century economy.

Ready for Tomorrow

Ready for Tomorrow is the Victorian Government's \$630.7 million blueprint to generate new opportunities and build a prosperous and sustainable future for regional and rural Victoria.

Ready for Tomorrow includes initiatives that will create more jobs, improve tertiary education opportunities, boost support for businesses and industries and secure the regional and rural way of life.

Victoria's Heritage, Strengthening our Communities

The Victorian Government's heritage strategy, *Victoria's Heritage, Strengthening our Communities*, is a strategic framework that recognises and protects the state's indigenous, natural and built heritage.

The strategy outlines new ways of recognising and protecting the state's rich heritage, understanding our links with the past and improving the coordination of government heritage resources across Victoria.

Core functions and business units

VicTrack's structure consists of four main departments supported by business services including finance, human resources, legal, safety, environment, risk, and stakeholder and community relations.

VicTrack also administers the Rolling Stock Holdings group of companies on behalf of the state.

Telecommunications

The Telecommunications Department is responsible for:

- > 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 under commercial contracts
- > working in partnership with the Department of Transport to deliver critical communications projects
- > leveraging surplus network capacity to improve broadband access for the government sector.

Property

The Property Department is responsible for a large property portfolio, including:

- > business, community and other leasing
- > transport-oriented projects which deliver improvements to safety, security, amenity and access around transport nodes
- > licensing third parties to access land within the rail corridors
- > land assessment
- > sales and acquisitions
- > land records.

This department is also responsible for maintaining and improving the yield of the outdoor advertising portfolio.

Asset Management

The Asset Management Department is responsible for:

- > improvement works to country stations, bridges and other assets
- > project managing the Victorian Government's *Level and Pedestrian Crossing Upgrade Program*
- > maintaining infrastructure and property that is not leased to other parties
- > managing access to the state's 400,000 technical rail drawings
- > managing the Rail Skills Centre – Victoria.

Rail Business

The Rail Business Department is responsible for:

- > managing and developing key rail-based sites in the Melbourne area
- > providing rail track access to strategic central Melbourne areas, including the Dynon terminals
- > managing heritage buildings and rolling stock assets
- > providing transport and logistics advice to freight-related authorities and groups
- > improving VicTrack's safety systems and maintaining Rail Safety Accreditation.

Board members

The VicTrack Board of Directors is responsible for the management 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.

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 five independent, non-executive Directors, including the Chair – Bruce Cohen (Chair), Chris Lovell (Deputy Chair), Elana Rubin, James Cain (on leave of absence) and Jenny Roche.

Bruce Cohen – PhD (PP), MCom, LLB Chair

Bruce Cohen was appointed a Director of VicTrack in January 2005 and Chair on 1 April 2010. Bruce is also Chair of the VicTrack Human Resources Committee and a member of the Telecommunications Committee and the Heritage Advisory Panel. Bruce is a barrister and a principal in private practice in the area of public policy. He has previously held directorships with Melbourne Water, VENCORP and Snowy Hydro Limited.

Chris Lovell – BA, LLM (London) Deputy Chair

Chris Lovell was appointed a Director of VicTrack in January 2005 and Deputy Chair on 1 April 2010. Chris also chairs the VicTrack Audit and Risk Management Committee, the Property and Environment Committee and the Heritage Advisory Panel. Chris is the National Managing Partner of law firm, Holding Redlich, and practises in funds management and on large-scale property projects. He is a trustee of the MCG Trust, as well as a Director of Clemenger Communications Limited and the Melbourne Community Foundation.

Chris resigned as Chair of the VicTrack Audit and Risk Management Committee on 9 August 2010. He remains a member of this committee. Chris was appointed Chair of Melbourne Community Foundation on 1 July 2010.



*Left to right: Chris Lovell (Deputy Chair), Elana Rubin, Bruce Cohen (Chair), Jenny Roche, Arianne Rose (Acting Company Secretary), Bob McDonald (Chief Executive).
Inset: Sam Andersen (Member of Audit and Risk Management Committee).*

Elana Rubin, Chair – MA, GAICD, FFin
Director

Elana Rubin was appointed a Director of VicTrack in July 2000 and Chair on 1 January 2005. She retired as Chair on 31 March 2010 and as a Director on 30 June 2010. Elana is Chair of the Victorian Workcover Authority and of Australian Super and is also a Director of the Industry Superannuation Property Trust, Hotel Leisure & Tourism Trust of Australia, the Transport Accident Commission and SecondBite.

James Cain – BPD (Melb), B Bldg (Melb), MBA (AGSM)
Director

James Cain was appointed a Director of VicTrack in April 2008. James is a management consultant with experience in property and major capital works in the public and private sectors. His professional experience includes 12 years with Lend Lease Corporation from 1990 to 2001 where his roles included Regional General Manager for Victoria, Tasmania and South Australia. From July 2001 to June 2006 he was the Executive Director of Major Projects Victoria.

James retired from the VicTrack Board on 12 July 2010.

Jenny Roche – BComm (Melb) GDip MMT
Director

Jenny Roche was appointed a Director of VicTrack in March 2010 and is also a member of the Telecommunications Committee. Jenny brings to the Board a wealth of experience in telecommunications, sales and marketing. She is a management consultant and the principal of a consulting firm focused on strategic marketing and business growth. She is also a Director of Mobile Mentor Australia and serves on the Board of the Old Colonists Association of Victoria.

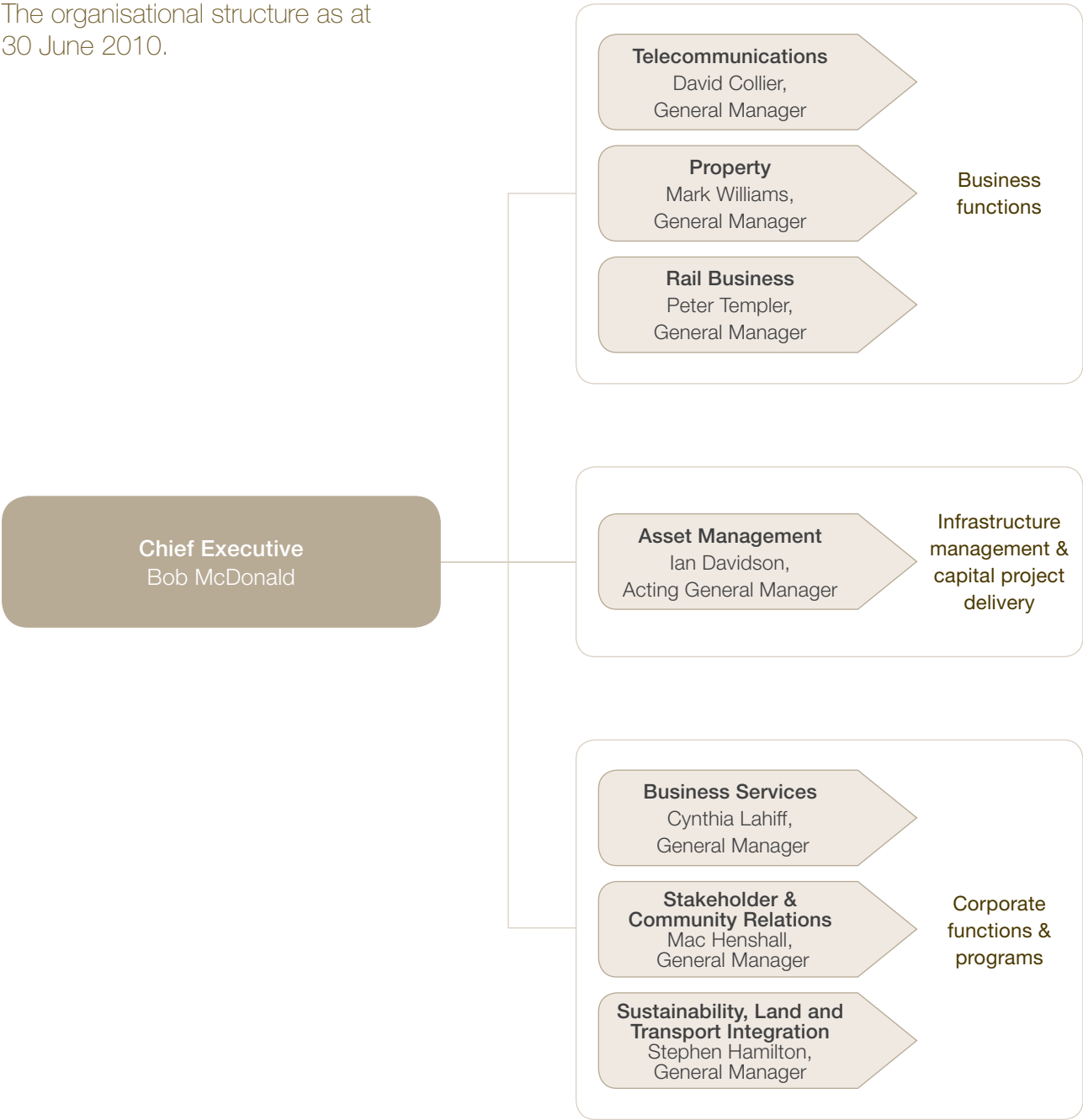
Sam Andersen – LLB, CPA
Member of Audit and Risk Management Committee

Sam Andersen was appointed to the Audit and Risk Management Committee in October 2005. Sam is a Director and Chair of the Audit and Risk Committee of Rural Finance Corporation. She has held senior executive positions with ANZ Bank, Commonwealth Bank of Australia and National Australia Bank. Sam was the Managing Director of Eyecare Partners Limited, the Chief Financial Officer at Lumacom Ltd and Chief Operating and Financial Officer of Multi-Emeida.com Ltd. Her previous directorships include Superpartners Pty Ltd, Victorian Funds Management Corporation, Multi-Emedia.com Ltd and Youth at Risk Inc.

Sam was appointed a Director of VicTrack on 1 July 2010 and Chair of the VicTrack Audit and Risk Management Committee on 9 August 2010. She was appointed a Director of Grain Growers Australia Limited on 1 July 2010 and is Chair of the Audit Committee.

Executive team and organisational structure

The organisational structure as at 30 June 2010.





2: Outcomes Report

Above: Pavement works at South Dynon.

Delivering value to transport

Improving safety

VicTrack supports the Department of Transport to provide a safe and secure transport system in Victoria.

VicTrack's core activities include upgrading safety at road and pedestrian level crossings, researching and developing leading-edge rail safety technology and supporting CCTV coverage across the metropolitan rail network.

Highlights 2009–10

Making rail crossings safer

Once again, VicTrack exceeded its annual target for rail crossing upgrades in 2009–10, under the Victorian Government's Level, Pedestrian and Active Advanced Warning Sign upgrade programs.

VicTrack delivered safety upgrades at 42 active crossings with the installation of boom barriers, flashing lights or pedestrian gates. This surpassed the Victorian Government's target of 37.

Active Advanced Warning Signs were installed at 28 locations, to deliver a total of 54 upgrades and exceed the Victorian Government's January 2008 commitment of 53 upgrades by 30 June 2010.

Four pedestrian crossings were also upgraded to comply with the *Disability Discrimination Act 1992* (DDA).

Additional funding from the Department of Transport and VicRoads also allowed VicTrack to upgrade:

- > a pedestrian crossing at Wallan – to active pedestrian gates and DDA compliance
- > a level crossing at Nagambie – from passive to boom barriers
- > one site at Geelong – with traffic light coordination.

Continuing research into safety improvements

Throughout the year VicTrack maintained its commitment to researching and developing ways to improve road and pedestrian crossing safety.

Key achievements in 2009–10:

- > Based on VicTrack's recommendation, the Victorian Railway Crossing Safety Steering Committee approved the use of electromagnetic gate latches on emergency escape gates at Victorian pedestrian crossings. This followed the successful trial of these latches at Anderson Street, Yarraville. All future pedestrian crossing upgrades will include the electromagnetic emergency gate latch locking-system, which improves safety, is easy to use and requires less ongoing maintenance.
- > Commissioning and provisional approval of a new train detection system was completed at the Bagshot level crossing on the Midland Highway. The Thales Axle Counter system addresses the issue of poor wheel-to-rail contact that causes intermittent detection of trains. The new system is now in use on the V/Line passenger network.
- > A life-cycle cost analysis of the new Bodan pedestrian crossing surface is continuing to determine how it compares with ordinary asphalt. This follows an earlier trial at Preston Station, which found the surface improved pedestrian safety, especially for disabled mobile vehicles, and was easier to maintain than conventional surfaces.
- > A trial of the low-cost, Hi-Lux level crossing warning device continued at Creswick Station to evaluate its suitability as an alternative system to control level crossings.
- > The evaluation criteria used to assess new products and technologies was further developed to improve road and pedestrian crossing safety.

Assessing crossing safety

VicTrack continues to manage the Australian Level Crossing Assessment Model (ALCAM) on behalf of the Department of Transport. ALCAM is the risk assessment tool used for ranking the safety of level crossings throughout Australia.

In 2009–10, the second survey of level and occupation crossings in Victoria continued on target and on budget. Assessments were completed at 890 road, 148 pedestrian and 360 occupation crossings on 15 rail lines. A further 496 site visits were conducted.

During the year, VicTrack conducted training sessions with rail and road operators. Five ALCAM workshops were held in regional Victoria and a further four were held at the Department of Transport, attended by councils and other stakeholders.

In 2009–10, the number of local councils accessing the ALCAM website to help manage level crossing-related risk showed a significant improvement on the previous 12 months.

A level crossing closure program was established in 2009–10 and through a process of education and consultation, crossings in the Pyrenees Shire and the City of Wodonga were identified for closure.

Boosting CCTV storage capacity

VicTrack continues to help the Department of Transport make railway stations safer, by providing a secure, managed service for the storage of surveillance images from CCTV cameras across the metropolitan rail network.

In 2009–10, VicTrack increased its data storage capacity to support the growing network and ensure that image data is reliable and easy to access. Around 3,000 cameras are currently in operation.

Looking forward

VicTrack will continue to leverage its expertise and good performance record with the state-wide *Level and Pedestrian Crossing Upgrade Program* to deliver rail interface projects for VicRoads and local government, as an adjunct to its works for the Department of Transport.

Working as part of the Victorian Railway Crossing Safety Steering Committee, VicTrack will manage and administer further improvements to ALCAM and play a pivotal role in establishing and administering Safety Interface Agreements for all relevant stakeholders.

Supporting a resilient public transport system

VicTrack plays a key role in planning, land access and operational matters to support the efficient delivery of major transport projects under the *Victorian Transport Plan*.

Highlights 2009–10

Providing planning advice for Regional Rail Link

VicTrack is working with the Department of Transport to provide planning assistance and strategic advice for Regional Rail Link (RRL), a new \$4.3 billion rail line that will allow hundreds of new train services to travel in and out of Melbourne every week.

Jointly funded by the state and federal governments, RRL will see up to 50 km of new track built between West Werribee and Deer Park and along the existing rail corridor through Sunshine and Footscray to Southern Cross Station.

VicTrack will continue to be a collaborative partner and provide resources during the life of the project. As RRL progresses, VicTrack's role will focus more on providing access to land and telecommunications services.

Upgrading country stations

VicTrack once again undertook a range of repairs and refurbishments at Victorian train stations during the final year of the four-year *Country Station Upgrade Program*.

Over the life of the program, VicTrack has delivered \$7 million worth of improvements on behalf of the Department of Transport.

In 2009–10, Riddells Creek Station was upgraded with a new waiting room, booking office and male and female toilets, compliant with the *Disability Discrimination Act 1992* (DDA).

A waiting room at Morwell Station was expanded and DDA-compliant male and female toilets were installed. Likewise, a new waiting room was provided at Benalla Station and its booking office and storage area were refurbished.

During the year Wangaratta Station received an upgraded car parking area, bus stops and car parking access roads.

Repairing road and pedestrian bridges

As part of VicTrack's ongoing bridge rehabilitation program, major repairs totalling approximately \$2 million were carried out at four road bridges and one pedestrian bridge during 2009–10.

The road-over-rail bridge at Bullarto Road in Cranbourne was strengthened as were similar bridges at McEdwards Road in Merbein and Pope Road in Buangor, where new guardrails were also installed.

Similarly, the road-over-rail bridge at Bass Valley Road in Bena was strengthened and new guardrails installed. A pedestrian bridge at Colac Station was given a new steel support structure to extend its useful life.

Extending station car parks

VicTrack improved amenity and safety at three metropolitan stations and one regional station in 2009–10 by upgrading car parks and lighting on behalf of the Department of Transport.

Works were carried out at Berwick, where the car park was extended by 210 spaces; Hoppers Crossing, where an additional 270 car parking spaces were provided; Lilydale, which received another 70 car parking spaces; and Marshall (near Geelong), where the car park was extended by 300 spaces.

Upgrades also included improved lighting and CCTV installation to improve the safety of commuters.

Providing additional bike storage

VicTrack managed the installation of bike cages at 11 metropolitan stations and five regional stations on behalf of the Department of Transport during 2009–10.

To support sustainable transport options for all Victorians, cages were provided with secure storage for 26 bikes at Reservoir, East Malvern, Cranbourne, Sunshine, Oakleigh, Heidelberg, Glen Waverley, Chelsea, Seaford, Doncaster and Berwick stations in metropolitan Melbourne and at Moe, Morwell, Melton, Bacchus Marsh and Kyneton stations in regional Victoria.

Meeting industry training needs

Rail Skills Centre – Victoria (RSCV) achieved a 15 per cent increase in usage in 2009–10.

RSCV is an initiative of VicTrack and the Department of Transport aimed at meeting future industry training demands.

The centre includes six classrooms, each capable of accommodating 18 trainees and is designed to encourage the train and tram industry to address issues such as an ageing workforce and expanding network demand.

RSCV is used by Metro Trains Melbourne for its driver training and meets the technical training site requirements of Yarra Trams, V/Line, HRD Integrated Services, Rail Safeworking Solutions, Metro Trains Melbourne Infrastructure Department and a number of other industry training providers.

Through the Rail Stabling Sidings Project, RSCV negotiated to have 520 m of new train track and overhead and 320 m of new tram overhead on their site relocated for training purposes.

During the year, RSCV hosted a delegation from the Victorian Parliamentary Inquiry into Skills in the Rail Industry and participated in a number of industry events. A new wireless internet network was installed at the centre and an updated website is in the final stages of implementation.

Improving communication between drivers and central control

VicTrack continues to support the delivery of the Digital Train Radio System (DTRS) project.

DTRS will provide enhanced voice and data capabilities to improve communication between train drivers and the central control unit. The additional data capacity will also allow for more immediate train notifications to passengers.

VicTrack's role is to construct a resilient, monitored fibre and Synchronous Digital Hierarchy (SDH) network to provide necessary backhaul transmission paths to support the GSM-R Mobile Network being constructed by Nokia Siemens Networks for the Department of Transport.

During 2009–10 VicTrack delivered its construction milestones well ahead of the agreed project schedule.



Above: The car park at Berwick Station was upgraded with an additional 210 car parking spaces, improved lighting and CCTV surveillance.

Expanding network monitoring

On 1 November 2009, VicTrack's Network Operations Centre (NOC) moved to full-service, 24-hour-a-day monitoring and control of the telecommunications network.

Ten support engineers under the supervision of the NOC supervisor monitor approximately 4,000 devices, delivering around 12,000 dedicated customer data services, predominantly for the public transport system.

The NOC is the point of contact for rail operators and other telecommunications customers to report problems, track fault requests or explore opportunities to enhance communications systems.

Linking substations and control centres

VicTrack built a dedicated fibre network to connect 12 substations with two control centres for the Electrol SCADA Replacement Project. The network was delivered on schedule for the Department of Transport over a three-month period in 2009–10.

Improving track fault recognition data

Software system upgrades for the EM100 track recorder delivered enhanced fault recognition data for rail franchisees in 2009–10.

Purchased in 2004, the EM100 operates across all tracks in Victoria and provides track geometry data to rail infrastructure managers. The data is used to identify track faults and variances, inform track maintenance requirements and improve the safety of all Victorian rail systems.

Looking forward

VicTrack will continue to work with the Department of Transport to plan and deliver a better and safer transport system across Victoria under the \$38 billion *Victorian Transport Plan*.

In 2010–11, completion of the Bayley Street West – Geelong Station Entrance Upgrade will be a priority for VicTrack. On behalf of the Department of Planning and Community Development and the Department of Transport, VicTrack will continue to manage significant works within the Geelong Station Precinct, including construction of a new entrance for vehicles and pedestrians to the Station, construction of a new signalised intersection with Mercer Street, a new multi-modal interchange for buses and taxis and improved commuter car parking.

VicTrack will also continue to develop its telecommunications service offering to the transport sector.

VicTrack will progressively accept Digital Train Radio System sites and assets as construction of fibre tails and the SDH transmission network progresses.

Bigger and better facilities at Benalla Station

A larger, more comfortable waiting room and an upgraded booking office have given passengers and staff at Benalla Station good reason to smile.

Completed by VicTrack in May 2010, the works included reconfiguring existing spaces at the station to provide a larger waiting area and better-functioning office space.

Infrastructure Manager at V/Line, Geoff Shimmen, said the works were needed to meet growing demand, particularly at peak times and over the summer months.

“The waiting room at the station was simply too small. Business was growing and we were getting some overcrowding,” he said.

The project was completed under the Victorian Government’s *Country Station Upgrade Program*, which has delivered a wide range of refurbishments and upgrades to regional train stations over the last four years.

The works were scheduled to coincide with the short-term closure of the railway corridor as part of the North East Rail Revitalisation Project, so as to minimise disruption for commuters.

Mr Shimmen said plans for the upgrade were developed with the architectural firm Tekton Pty Ltd, VicTrack and V/Line staff. “We sat down together and worked out that there was a lot of vacant space behind the booking office that wasn’t being used, so we pushed the office back into that area and made the waiting room twice the size.”

The works also provided an opportunity to install new security windows and more ergonomic work benches, as well as the chance to fix a longstanding issue of the ticket counter being too close to the station entrance.

“We’ve now moved the counter away from the entrance so you don’t get people blocking or constantly activating the automatic doors,” Mr Shimmen said.

He said feedback was very positive, particularly as VicTrack had recently upgraded the toilets at the station as well. “Customers are very impressed and staff are very happy so that’s the best possible outcome.”



Above: A station upgrade has improved the experience for passengers and staff at Benalla.

Integrating transport and land use planning

A major priority for VicTrack is to deliver commercially viable projects with a focus on transport and whole-of-government policy outcomes.

Highlights 2009–10

A new approach to development opportunities

In 2009 a realignment of VicTrack's property portfolio resulted in a significant shift in priorities and strategies for land that is no longer required for transport purposes.

Underpinned by the *Victorian Transport Plan, Melbourne 2030, Melbourne @ 5 million* and stronger relationships with local government, VicTrack plans to deliver a broader range of opportunities for private and public development.

The overriding priority is to undertake commercially viable developments that improve transport access, amenity, safety and security.

Supporting planning of Central Activities Districts

During 2009–10 VicTrack continued to support Victorian Government programs aimed at developing Central Activities Districts.

A 1.9 ha site in Dandenong – formerly occupied by Pacific National and Mainco – was sold to VicUrban for redevelopment. Likewise, a large, vacant site in Footscray was sold to VicUrban to support the revitalisation of Footscray's Central Activities District.

In Moe, VicTrack is an active member of a working group established by Latrobe City Council to facilitate property acquisition and help support the Moe Rail Precinct Revitalisation Project. Other members of the working group are the Department of Planning and Community Development, Regional Development Victoria and the Department of Transport.

An historic opportunity at Wodonga

VicTrack is working with the Wodonga City Council to develop a large parcel of land in central Wodonga that will become available on completion of the Wodonga Rail Bypass.

A draft plan, completed in early 2010, takes this historic opportunity to revitalise central Wodonga by redeveloping the land for commercial, retail and community uses.

VicTrack's plan involves the realignment of existing roads and creation of a new town square, new office and retail space and a new transport hub near the existing station.

In 2009–10, environmental surveys of the land included in the plan began, to determine the level of contamination caused by historical uses.

The plan will be refined in the second half of 2010, following input from the Wodonga City Council and the local community.

The redevelopment of the railway land is a long-term project that will occur progressively, consistent with the level of market demand and the council's Municipal Strategic Statement.

Land swap improves transport outcomes

In Glen Waverley, VicTrack completed a land swap with the City of Monash as well as a road realignment, to facilitate development of a busy commercial precinct.

The new precinct will have strong links to the train station and bus interchange, improved access for pedestrians and better car parking.

A preferred developer was appointed by VicTrack during the year.

Approval for Camberwell Station precinct development

Following review by the Victorian Civil and Administrative Tribunal (VCAT), the proposed development at Camberwell Station was granted planning approval in March 2010.

A commercial, retail and residential development is planned with a public plaza to improve local amenity and provide better access to the station. The development includes 118 residential units and preserves the heritage station and footbridge.

The developer, Tenterfield, has begun marketing the project while VicTrack is working to finalise the development agreement.

Improving third-party access processes

Working with the Department of Transport, VicTrack has streamlined its process for handling third-party infrastructure applications to access rail corridor land.

In 2009–10, VicTrack completed an extensive education campaign to provide customers with a better understanding of VicTrack's transport role and how land access applications are reviewed and assessed.

Managing transport project interfaces

VicTrack is managing interfaces with an increasing number of transport projects as the *Victorian Transport Plan* moves from planning into the development phase.

As well as managing changing land responsibilities resulting from transport projects, VicTrack also provided planning advice and guidance in relation to local conditions, environmental treatments and communications throughout 2009–10.

Projects included:

- > the North East Rail Revitalisation Project
- > the conversion of V/Line washing, maintenance and stabling facilities at Dynon for new standard gauge passenger services on the North East Line
- > the Missing Link project and W Track extensions aimed at improving the overall capacity of the Port of Melbourne and providing more direct access to the port from Melbourne's east and the Dynon rail terminals
- > development of a new station at Coolaroo on the Craigieburn Line
- > the metropolitan train stabling development at Newport, which will provide efficient stabling facilities for Melbourne's new fleet of trains (the facility is strategically located to the west of Melbourne to support increased services in this area).

Looking forward

VicTrack will continue to sharpen its focus on facilitating and delivering transport-oriented projects that create improvements in access, amenity, safety and security within the property asset portfolio.

Facilitating efficient freight

VicTrack plays a critical role in providing improved access and services to support rail freight in and out of Melbourne.

Highlights 2009–10

Preparing for a new major freight terminal

In preparation for the development of a major freight terminal, VicTrack completed an environmental clean-up of contaminated soil at Spotswood in June 2010.

The clean-up solution was approved by the Environmental Protection Authority, Victoria (EPA) to mitigate the legacy of past industrial activity and to allow for future development at the site.

Working closely with the EPA and its appointed environmental auditor, an innovative solution was developed involving the treatment and encapsulation of contaminated material on-site. This method resulted in substantial cost savings compared to the traditional method of disposing contaminated material off-site.

The encapsulation structure was built to form the base of a new depot for Sadleirs Transport, who will use it to transfer interstate freight from road to rail, supporting the reduction of road freight traffic. Sadleirs has a long-term lease on the site and expects the depot to be operational in 2011.

Improving efficiency at Dynon Intermodal Terminal

VicTrack completed a new southern pavement at Dynon Intermodal Terminal in 2009–10 to provide additional capacity and improve efficiency at the terminal.

Track improvements and extensions are also underway in the Dynon and North Dynon areas to improve efficiency and support future growth in freight traffic.

With four rail operators now using the Dynon and North Dynon areas, improved planning and operational procedures were introduced during the year to streamline coordination and prepare the terminal for future growth.



Above: Bernie Morris from EnviroPacific leads VicTrack Chief Executive, Bob McDonald on a tour of works at Spotswood.

Improving reliability at industrial sites

VicTrack completed a range of infrastructure replacements and upgrades at some of its larger industrial sites to ensure reliable services for its tenants. These works included plumbing and electrical improvements and power pole replacements.

For the past three years VicTrack has also initiated amenity improvements at its sites with annual tree-planting activities undertaken by VicTrack staff.

Fishmarket site

VicTrack has started due diligence investigations after agreeing to purchase the Melbourne Fishmarket site on Footscray Road, West Melbourne from the City of Melbourne to facilitate development of a truck stop and service centre.

Input into freight planning

VicTrack continued to provide input and advice to the Department of Transport on freight and intermodal planning, including making key contributions to the *Melbourne Freight Terminal Network Green Paper*, which is available for public comment until the end of September 2010.

Looking forward

VicTrack will provide ongoing support to its freight rail customers in 2010–11.

Major activities will include continued development of the Dynon Intermodal Terminal, support for rail freight maintenance at the Creek Siding Terminals and further work with the Department of Transport to facilitate rail freight activities across Victoria.

By extending standard gauge access and improving the flexibility of tracks in the Dynon Intermodal Terminal, VicTrack customers will have access to better facilities to help them achieve time and cost efficiencies.

VicTrack will continue to work with intermodal operators across Victoria and contribute to the planned Melbourne Freight Terminal Network and other *Freight Futures* developments.

Delivering value to whole-of-government

Improving access to telecommunications

VicTrack continues to mature as a telecommunications provider, delivering a range of leading telecommunications services to the Victorian transport and the whole-of-government sectors.

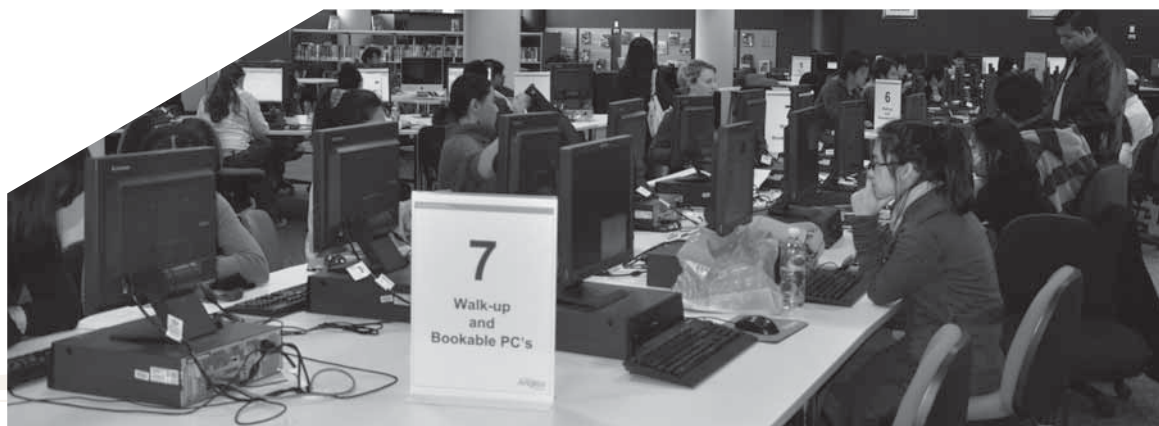
Highlights 2009–10

intra-Government Secure Network up and running

The completion of the intra-Government Secure Network (iGSN) project delivered a major outcome for the Victorian Government's *Efficient Government Policy* by facilitating shared ICT services for the whole-of-government sector.

Acceptance documentation was issued to the Government Services Division (GSD) in October 2009 and in December, iGSN's first customer, the Department of Industry, Innovation and Regional Development (DIIRD), started using the network. The second customer, CenITex, came online in February 2010. Customers report it is working well.

The network provides high bandwidth data links for major government departments in Melbourne's CBD with data centres in metropolitan Melbourne and regional Victoria.



Above: Students at William Angliss Institute are among those to benefit from the TAFE Broadband project.

Delivering TAFE Broadband network

In 2009 DIIRD and Skills Victoria awarded VicTrack a contract to deliver a TAFE Broadband network to connect the head campuses of nine TAFE institutes throughout Victoria, improving administrative efficiencies and learning outcomes.

Leveraging the existing iGSN network, VicTrack designed, built and commissioned the network in accordance with the TAFE Heads of Agreement terms and conditions. One gigabyte-per-second Ethernet services now connect nine metropolitan and regional TAFE head campuses to the Victorian Government's data centres in Burwood and Ballarat.

Connected campuses are William Angliss (Melbourne CBD), Box Hill, Holmesglen (Chadstone), Chisholm (Dandenong), Gordon (Geelong), Kangan (Broadmeadows), North Melbourne Institute of TAFE (Preston), Central Gippsland (Newborough) and Bendigo.

By providing secure, high-bandwidth data services to Victorian TAFE institutes, VicTrack has helped create opportunities for more teaching and learning collaboration across the higher education sector.

The network also enables metropolitan and regional TAFE head campuses to connect with remote campuses and collaborate with other TAFE institutes.

Improving project management to drive efficiency

As part of a drive for continuous improvement, VicTrack established a Project Management Office (PMO) in 2009–10 and implemented a new project management framework.

The aim of the PMO is to deliver telecommunications projects to schedule, on budget and to meet the quality requirements of the client and VicTrack.

All projects starting in 2010 were brought in line with the new framework. To date four major telecommunications projects have been completed by the PMO using the new framework, including iGSN and TAFE Broadband. Several other projects are ongoing.

Looking forward

VicTrack will continue to deliver telecommunications solutions to support transport and whole-of-government projects.

Planning and design has begun for further regional TAFE campuses to be connected to the Collective Hub by the end of 2010. VicTrack will also meet requests to interconnect TAFE head and sub-campus around Victoria.

TAFE Broadband delivers greater choice for students and staff

A high-bandwidth network designed and built by VicTrack for Victorian TAFE institutes will deliver better teaching and learning outcomes and improve collaboration across the sector.

Completed in June 2010, the TAFE Broadband Network delivers one gigabyte-per-second Ethernet services connecting the head campuses of nine metropolitan and regional TAFE institutes with each other and with the Victorian Government's data centres in Burwood and Ballarat.

VicTrack was awarded the contract to deliver TAFE Broadband from the Department of Innovation, Industry and Regional Development and Skills Victoria in November 2009.

Manager of the TAFE Broadband project, Peter Eades, from Skills Victoria said the roll-out was very smooth. "There were no unexpected surprises and everything was delivered on time and budget, so we were very happy."

Mr Eades said the major driver of TAFE Broadband was to give TAFE institutes access to the equivalent network capacity enjoyed by major universities. "Some TAFEs are the size of small universities but their teaching options and ability to collaborate with students, staff and industry were significantly constrained by a lack of bandwidth."

He said the new network meant TAFEs could now improve services to students by providing online access to teaching materials and virtual classroom delivery through video, audio-feeds and other dynamic content.

Although not part of the original contract, the next stage of TAFE Broadband will involve VicTrack connecting a further nine TAFE institutes, as well as a number of remote campuses, to the network.

TAFE Broadband was part of a number of far-reaching reforms announced in the *Victorian Skills Statement* in September 2008.

The new network also provides faster, more affordable ICT services to the TAFE sector and shared back-end office capability covering electronic banking, enterprise email and corporate website hosting.

The nine connected campuses are William Angliss (Melbourne CBD), Box Hill, Holmesglen (Chadstone), Chisholm (Dandenong), Gordon (Geelong), Kangan (Broadmeadows), North Melbourne Institute of TAFE (Preston), Central Gippsland (Newborough) and Bendigo.



Above (left to right): Alice Bottomley, Geoff Roberts, Tony Harding and Mark Mitchell from William Angliss all played a part in delivering the TAFE Broadband project, with Steve Bowmaker and Peter Eades, Skills Victoria and Brad Marsh, VicTrack.

Providing for community facilities

VicTrack land is primarily used for transport. However, once land within the rail corridor is no longer required for transport purposes, VicTrack uses its assets to support other whole-of-government initiatives and community activities.

Highlights 2009–10

Supporting affordable housing

VicTrack is well-positioned to help meet the demand for more affordable housing in Victoria because rail land not needed for transport purposes often has good access to public transport and other amenities.

In 2009, VicTrack finalised the sale of former transport land in East Coburg to VicUrban to facilitate a mixed-use development with an affordable housing component.

Providing for community uses

VicTrack continues to facilitate important community benefits by providing a wide range of groups and organisations with access to its properties.

Property in the VicTrack portfolio that was not required for transport purposes in 2009–10 provided accommodation or land for:

- > service clubs such as Rotary, Lions and Apex
- > scout and girl guide clubs
- > recreation facilities such as bowling and tennis clubs
- > historical societies, for use as museums or displays
- > other uses such as guide dog training, tourist railways, senior citizen clubs and model railway displays.

Looking forward

Where land is no longer required for transport purposes, VicTrack will continue to review opportunities to provide for community facilities in partnership with other Victorian Government departments and agencies, local government and community service providers.

Delivering value to the community

Managing environmental challenges

VicTrack proactively manages a range of environmental challenges caused by historical practices on railway land. The organisation protects, rehabilitates and enhances the environments in which it works through risk assessment, clean-up programs and sustainable practices.

Highlights 2009–10

Assessing contamination risks

Land contamination risks were assessed at more than 50 sites within the VicTrack portfolio in 2009–10 as part of a proactive risk mitigation and remediation program.

VicTrack will continue to assess a minimum of 50 sites per year to actively manage contamination risks and liabilities caused by poor historical practices.

Auditing sites flagged for a new use

All proposed changes to the use of VicTrack land are preceded by a thorough environmental investigation to ensure selected sites are fit-for-purpose.

In 2009–10 VicTrack worked with DIIRD and Major Projects Victoria to conduct environmental investigations and audits at proposed development sites in Camberwell, Dandenong, Wodonga, Moreland, Keon Park and Fairfield.



Above: Soil sampling within the Wodonga Central Precinct (Photo courtesy of The Border Mail).

Banking asbestos knowledge

VicTrack has developed a hazardous materials database to enable easy access to survey and management data related to asbestos and other hazardous materials across its asset base.

VicTrack completed asbestos audits and started remediation works on more than 50 buildings across its asset portfolio in 2009–10.

In partnership with V/Line, VicTrack completed an audit of a further 500 assets (both above ground and below ground) that are managed under the Regional Infrastructure Lease. This work focused on ways to manage asbestos responsibilities collaboratively.

Reducing water use at VicTrack sites

VicTrack's water conservation efforts focused on South Dynon, Newport and Spotswood throughout the year as part of the water management strategies developed for these sites.

Actions included erecting water efficiency signage, installing low-flow showerheads and upgrading aged underground infrastructure.

Protecting flora and fauna

In partnership with other government departments and industry groups, VicTrack is investigating ways to improve understanding of the environmental values on its land, and to protect and enhance significant native flora and fauna.

Options may include replanting native vegetation as an environmental offset or targeting key areas of the rail network for environmental enhancement.

Clean-up complete at Bendigo Railway Workshops

Extensive waste clean-up works at the back of the old Bendigo Railway Workshops were undertaken during the year to address contamination with asbestos and other waste material.

Following a surface clean-up, VicTrack commissioned the design of a capping and retaining wall to manage any future risks associated with old waste materials buried on the site.

Progress at Montague Street site

After submitting a soil clean-up to the extent possible (CUTEP) report to the EPA for the Montague Street site in South Melbourne in early 2009, VicTrack implemented a site management plan to oversee future environmental conditions.

Sustainability activities underway

Led by the VicTrack Environment Group, a Sustainability Committee was formed to implement VicTrack's *Sustainability Strategy and Action Plan* launched in 2008–09.

The strategy focuses on three core areas:

- > improving the environmental performance of VicTrack's office environment
- > improving the way VicTrack does business
- > strategic environmental initiatives.

The committee has undertaken a number of activities throughout the year, including:

- > producing a re-useable drink bottle to reduce the burden on the environment caused by single-use plastic water bottles
- > purchasing 25 per cent Green Power at VicTrack offices at 1010 La Trobe Street and 595 Collins Street
- > developing of a range of sustainability-based projects and programs to help VicTrack improve its environmental performance (These projects will be implemented in stages over the next few years).

Looking forward

VicTrack will continue to show a high degree of diligence when undertaking its proactive, risk-based programs that cover land contamination and remediation, asbestos removal and flora and fauna management.

A number of risk-based environmental assessments will be undertaken in 2010–11 on VicTrack's major land holdings including the Dynon Intermodal Terminal, the Newport Workshops and the Geelong, Bendigo and Ballarat rail yards.

In addition, VicTrack will work with Major Projects Victoria and the Department of Planning and Community Development on the E-Gate site investigation and redevelopment.

VicTrack will continue to foster collaborative relationships across the transport sector to improve environmental performance. This will include involvement in the asbestos management program and proactive land management practices such as realising vegetation offset opportunities.

The organisation will also look for sustainability initiatives that have an impact across the transport sector and the wider community. This may include additional water harvesting and re-use projects, and partnering with industry and the university sector to investigate and pioneer innovative environmental technology.

Protecting rail heritage

VicTrack is dedicated to preserving Victoria's rail and tram heritage for future generations by supporting a wide range of heritage projects and initiatives.

Highlights 2009–10

Restoring rail assets for future generations

To preserve Victoria's rail heritage, VicTrack completed restoration works across the state throughout 2009–10 under its \$1 million Heritage Program.

Overseen by an independent Heritage Advisory Panel, the program of works involved restoration of buildings and infrastructure listed on the State Heritage Register. Major projects for the year included:

- > restoration of the Wycheproof Station building to its original condition for future use by local community groups
- > restoration of the lamp room at Kangaroo Flat Station
- > structural repairs and waterproofing works at Kaniva Station and Pyramid Station
- > refurbishment of signal box A and the yard box at Geelong Station, including repainting them in heritage colours.

Exploring a new use for old Creswick Station

VicTrack is in discussions with Hepburn Shire Council and local community groups to explore options for the future community use of the former Creswick Station building.

The old station building was replaced with a new one to meet anticipated passenger demand when train services resume on the Maryborough line in July 2010. The exterior of the former station building is currently being restored to facilitate possible community use.



Above: Restoration works nearing completion at Wycheproof Station, built in 1887.

Supporting museums and rail heritage groups

VicTrack provided support to a number of heritage groups in 2009–10, including the North Williamstown Railway Museum (see page 34).

Under a community lease with VicTrack, the Victorian Division of the Australian Railway Historical Society (ARHS) manages the museum which houses significant heritage rolling stock.

The site required considerable remediation to ensure museum staff and visitors were safe on site.

VicTrack also provided assistance to Steam Rail and other groups at Newport and the Hawthorn Tram Museum during the year.

Looking forward

VicTrack will continue to invest in Victoria's rail heritage in 2010–11 with a substantial restoration and upgrade program.

Major projects scheduled for the next 12 months include the restoration of Korumburra Station to repair damage caused by the March 2009 earthquake and stabilisation of the foundations of Serviceton Station, located near the Victoria-South Australia border.

VicTrack will continue to support heritage rail operators by providing access to rail infrastructure throughout Victoria. This will include maintenance and rehabilitation of several turntables that enable heritage steam trains to operate in regional Victoria.

Over the next year the Hawthorn Tram Depot will receive support to improve public access to its heritage tram displays.

Upgrade reinvigorates rail museum

In 2010, VicTrack undertook works to upgrade safety and amenity at North Williamstown Railway Museum, which will improve the way the outdoor collection is displayed and help boost visitor numbers.

Operated by the Victorian Division of the Australian Railway Historical Society (ARHS), the museum holds a community lease with VicTrack for its Champion Road site, where it has operated for 40 years.

The museum houses over 40 carriages and locomotives including the largest collection of Victorian Railways steam locomotives, which offer a rare insight into the state's rail heritage. It is also home to Heavy Harry, the only locomotive on the Victorian Heritage Register.

In recent years the site has shown signs of wear and tear and ARHS (Victoria) President, Don Sargeant, said he had become concerned about the safety of volunteers and the public.

After writing to VicTrack for assistance, a site audit was completed in January 2010 revealing a number of hazards, VicTrack and the ARHS agreed on a schedule of works to bring the museum up to modern standards. The museum was closed to allow the works to be completed.

Major works have included an upgrade of electrical and fire prevention systems, installation of safer paths to link exhibits, a refurbished toilet block and a site clean-up. A series of climbing hazards will also be addressed by installing fences around some of the locomotives.

Mr Sargeant said he was impressed with VicTrack's prompt response. "We're thrilled because these works will not only keep the museum open but improve services for visitors."

He said the museum's next task was to provide more interpretive signage to help explain the exhibits. "We've got all the elements of a great museum here. We just need to give people a bit more information to help them get more out of their visit."

The North Williamstown Railway Museum expects to reopen to the public in late 2010.



Above from left: Don Sargeant, Victorian President ARHS with Cameron McDonald, VicTrack contractor and Mike Ryan, VicTrack Heritage Manager.

Supporting community partners

VicTrack is an active member of many communities throughout Victoria.

Working closely with local councils and other Victorian Government departments, VicTrack looks for opportunities to provide support and services that help make local communities stronger.

VicTrack also partners with community groups and organisations to deliver a range of practical projects that improve and enrich people's lives.

Highlights 2009–10

Building better relationships with local government

VicTrack and local councils share an interest in maintenance programs, civil works, the upgrade of level and pedestrian crossings and development of railway precincts.

In recognition of the importance of good relationships with local government and in response to feedback from councils, VicTrack introduced several customer service improvements in 2009–10 including the establishment of a dedicated local government coordinator role.

Since establishing the new position in January 2010, VicTrack has been working with local councils throughout Victoria to strengthen relationships and improve communication and information sharing.

Current areas of collaboration include joint strategic planning for rail precincts, managing the impacts of graffiti and providing resources to councils to handle day-to-day queries about rail precinct maintenance. Horsham Rural City Council is currently working with VicTrack to ensure rail issues are incorporated into its ongoing planning for rail precincts.

Donating water to Spotswood Primary school

During the year, VicTrack donated more than 96 kL of water to Spotswood Primary School thanks to an innovative water harvesting scheme at the nearby Spotswood Depot.

The water was collected from two 34 kL water tanks installed at the Spotswood Archive and voluntarily trucked to the neighbouring school by a City West Water tanker. It was used mostly to water garden beds and maintain the school sports oval.

Future surplus water will continue to be donated to the school. Negotiations are also underway to donate water to other local community groups.

Conserving native grasslands through a Landcare partnership

VicTrack's ongoing partnership with Landcare is helping conserve a number of areas of native grassland throughout Victoria.

Over the last 12 months Landcare groups have continued their maintenance and planting work on several sites established in previous years.

In parallel, VicTrack decided to refocus the program towards rail land with no future transport use to see if these areas could generate a commercial return through effective land management.

VicTrack identified a major site in the Mallee at Cowangie that will be a focus for the Landcare partnership in the years ahead. Abutting the Mallee Highway, the 378 ha site has high conservation values with open woodland and shrubland vegetation.

As a first step, a local Landcare group will remove weeds and manage pests to help improve the long-term environmental quality of the land.

Supporting a community-based graffiti initiative

Together with the Department of Transport, VicTrack is funding an exciting community-based pilot program to tackle graffiti in Melbourne's west.

Managed by the Brotherhood of St Laurence, the *Goodbye Graffiti* program is training job-disadvantaged people to paint over and remove graffiti from rail and road corridors in the municipality of Hobsons Bay.

The pilot is an initiative of the Laverton Community Centre in conjunction with the Laverton Community Renewal Project and the Hobsons Bay City Council. Other partners are the Department of Transport, Metro Trains Melbourne, the Department of Justice and VicRoads. Two clean-up crews are already up and running.

If successful, the program could be rolled out to other parts of the metropolitan rail network.

Harvested water keeps school green

A donation of more than 96 kL of water from VicTrack is keeping the oval and gardens at Spotswood Primary School green all year round.

As part of VicTrack's donation, water is harvested three times a year from two 34 kL tanks installed at its Spotswood Depot and delivered free of charge by City West Water.

Principal of Spotswood Primary School, Jacqueline Green, said the water made a huge difference because it helped maintain the school sports oval and other garden beds.

"It means we can keep the oval green without having to rely on direct rainfall. At other schools I've worked at, if you don't have access to water like this, the oval can become a dust bowl and that's dangerous for kids," Ms Green said.

She said most of the school's sports and interschool sports took place on the oval, and it is also used for training by the Spotswood Cricket Club and other community groups.

As well as keeping the oval green and safe, the donation is used to maintain an indigenous environmental garden planted by school students and a set of vegetable gardens used by the school gardening club.

The extra water also means another water tank at the school can be used exclusively to operate the school toilets.

Thanks to VicTrack and City West Water, the school is planning to re-sow some sections of the oval that are worn out. "Without having access to the extra water there's no way we could even think about doing that," Ms Green said.

"The dads who do our mowing are happy too because they've still got a job, and our ride-on mower gets a regular work-out."

On top of the water donation, VicTrack has also given a grant to Spotswood Primary School to help publish its history as part of the school's centenary celebrations in August 2010.



Above: Member for Williamstown, Wade Noonan, with Spotswood Primary School students.

Improving VicTrack's capability

Developing our people

One of VicTrack's top priorities is to develop the skills of its people and demonstrate its strong commitment to continuous improvement through comprehensive performance management.

By encouraging and listening to staff feedback, VicTrack creates a safe and efficient workplace that is committed to meeting the needs of its clients and stakeholders.

Highlights 2009–10

New strategies for a high-performing workforce

VicTrack added to the diversity, flexibility and capability of its workforce in 2009–10 through a number of new initiatives.

A Flexible Working Policy was introduced, which is already attracting a greater number of women, part-time employees and people from non-English speaking backgrounds to join the organisation.

After feedback from within the organisation, a three-year People Strategy was developed to ensure VicTrack remains a relevant and sustainable place to work in the future.

The People Strategy focuses on improving the overall capability and wellbeing of VicTrack's employees.

The strategy commits to three objectives:

1. becoming a truly great place to work
2. achieving a customer-focused culture
3. building a capable, engaged and high-performing workforce.



Above: Quarterly staff forums are an opportunity for Executive Management to provide business activity updates and for staff to raise questions or provide feedback.

Support for staff

In early 2010, the annual VicTrack staff survey was undertaken to gain feedback on the organisation and once again, the response rate was extremely high at 87 per cent.

Results of the 2010 survey show most VicTrack staff feel fully engaged and supported by the organisation. Sixty six per cent of staff agreed VicTrack was a 'truly great place to work'.

An action plan is being developed to address areas identified for improvement.

Training a top priority

VicTrack provides its people with the resources and training they need to conduct their work safely and professionally.

New employees complete a thorough VicTrack induction, which in 2009–10 was provided online for the first time. The induction gives staff and contractors a broad understanding of VicTrack's role, people, corporate aims and objectives. It also provides new starters with an understanding of critical policies and procedures.

During the year, all staff completed Code of Conduct training to ensure appropriate behaviour in the workplace at all times. Managers received additional training in managing staff with fairness and sensitivity.

As in past years, all VicTrack employees were encouraged to undertake targeted training in line with their personal performance management plans.

Improving stakeholder satisfaction

For the second consecutive year, VicTrack undertook stakeholder research to measure how the organisation is viewed by its key stakeholders.

In early 2010, an expanded group of stakeholders was asked to rate VicTrack departments on the basis of value, governance and communication.

The 2010 survey returned an overall satisfaction score of 74 per cent, level with the previous year. Among stakeholders surveyed in both years, there was an improvement in satisfaction of two per cent on 2009.

The results show VicTrack responded well to feedback from the first survey by making improvements to its level of service. The most significant improvements were made by the Telecommunications Department, which was restructured in early 2010 to better address customer needs.

An action plan is being developed to address other areas identified for improvement in the 2010 survey.

New customer service tools

VicTrack's day-to-day operations are underpinned by its Customer Service Charter and a commitment to support internal and external customers with the highest level of service.

A number of new tools were developed in 2009–10 to help VicTrack staff achieve customer service excellence.

In particular, an electronic customer service management system is being introduced to capture both internal and external customer enquiries. The system generates an automatic workflow for all customer queries to ensure they are resolved in a timely manner.

Enterprise Agreement achieved

The VicTrack Enterprise Agreement 2009–12 was successfully negotiated with staff, the Association of Professional Engineers, Scientists and Managers Australia and the Rail Tram and Bus Union. It was approved by Fair Work Australia in January 2010.

A series of information sessions were held in November 2009 to ensure all staff understood the detail of the final agreement.

Staff numbers

As at June 2010	Total	Male	Female
All staff	280	213	67
Full time staff	230	178	52
Part time staff	11	0	11
Fixed term temporary staff	38	35	3
Casual staff	1	0	1

By age group

Under 25 years	4	2	2
25 – 34	53	32	21
35 – 44	87	66	21
45 – 54	84	68	16
55 – 64	50	43	7
Over 65	2	2	0

Looking forward

VicTrack will continue to focus strongly on the development of its people to improve the capability of the organisation to deliver the best outcomes for its customers.

VicTrack aims to become a truly great place to work and will strive to develop a capable, engaged and high-performing workforce. In order to do this, we will continuously look for better ways to work together and drive change across the organisation.

To achieve this we will focus on:

- > improving our service delivery
- > becoming a truly great place to work by responding to feedback and recognising and empowering our people
- > creating a capable, engaged and high-performing workforce through training and development
- > attracting and retaining the best people.

Encouraging health and wellbeing

VicTrack understands the importance of supporting the wellbeing of its people and maintaining the overall health and safety of the workplace.

Highlights 2009–10

Updated safety system

Over the past year, VicTrack implemented a program of continuous improvement to update its Corporate Safety Management System to ensure the organisation has a contemporary approach to safety.

Updates to the system included the collation and centralisation of safety policies, procedures and practice documentation from within each department and central coordination of safety audits across the business.

In addition, VicTrack recently appointed a Corporate Safety Manager to drive safety performance across the organisation and to ensure all safety risks are identified, understood and appropriately mitigated.

Wellness program proves popular

All VicTrack employees have access to a comprehensive wellness program that includes regular in-house programs and activities, as well as referral to services outside the organisation.

In 2010, health checks and flu vaccinations were offered to all staff and the participation rate was high.

Looking forward

VicTrack will maintain its corporate-led focus on a 'safety-first' culture that protects and ensures the wellbeing of all VicTrack staff.



Above: VicTrack staff took the opportunity to have their annual health check and flu vaccinations as part of the 2010 wellness program.

Improving corporate capacity

VicTrack continues to analyse and refine its systems, processes and internal operations to ensure it meets the needs of its customers, stakeholders and the wider community.

Highlights 2009–10

Restructuring to meet growing telecommunications demand

VicTrack's Telecommunications Department was restructured in 2009–10 to improve organisational capability and better manage growing demand.

The restructure focused on consolidating operational and maintenance capability, creating new areas for strategic planning and business improvement, and optimising customer service by creating a single customer relations area.

The department will continue to deliver customer-oriented services that align with business activities. It will also encourage changes in the way people work and the structure of the organisation to enable business growth and improved work-life balance.

New systems to improve efficiency

Several new electronic management systems were introduced across VicTrack in the past year to maximise efficiency and accountability and provide better internal and external customer service.

In 2009–10:

- > a new financial management system was introduced with enhanced reporting capabilities and accessibility
- > a new website was substantially completed to provide customers with improved access to information and to enable e-commerce opportunities
- > the TRIM document management system was rolled out across VicTrack in early 2010 to reduce the organisation's reliance on paper records
- > a new customer service management system was developed to provide automated workflows that meet customer needs in a more timely manner.



Above: VicTrack has installed 1220 km of fibre optic cable along Victoria's rail corridors.

Vital ICT services delivered

In line with its three-year strategic plan and VicTrack's broader organisational goals, the Information Technology Group delivered significant service improvements in 2009–10.

The IT Group designed and built a major disaster recovery plan to protect VicTrack's ICT systems. The plan was successfully tested in 2009 by running all ICT systems from a secondary data centre for two full business days. This system will be tested annually in line with VicTrack business continuity planning.

In partnership with other key stakeholders, the group also delivered important security remediation projects and developed a consolidated change management process across VicTrack.

Other significant projects delivered in 2009–10 include:

- > an improved service to the Department of Transport for storing CCTV data
- > significant environmental efficiencies, with more than 100 physical servers now consolidated into virtual servers running on only 10 physical devices
- > the upgrade and implementation of ICT business systems and infrastructure, improving productivity and efficiencies across the organisation.

With new systems added to VicTrack's application architecture on a regular basis, the IT Group continues to provide detailed analysis to support the organisation's growing applications map.

Boost to legal and compliance capacity

In the past year VicTrack increased its capability in legal and compliance services.

The Legal Services Group provides advice on a wide range of issues and represents VicTrack to external parties. It also supports the VicTrack Board and its committees with secretarial functions and advice on compliance issues.

In 2009–10, the Group supported the delivery of:

- > new charters for the VicTrack Board and its committees
- > a financial management compliance framework
- > partnership arrangements between VicTrack and the Department of Transport
- > new franchisee arrangements
- > a gifts, benefits and hospitality policy
- > a new Information Security Group to oversee the maturing of the organisation's security systems and increase awareness around information security.

Risk procedures updated

VicTrack continued to develop and implement its risk management framework during the past 12 months to meet organisational needs, governance requirements and support organisational sustainability.



3: Statutory & Financial Reporting

Corporate governance

VicTrack is a statutory corporation governed by the *Transport Integration Act 2010* (from 1 July 2010).

It was established under section 8 of the *Rail Corporations Act 1996* and is a state business corporation under the *State Owned Enterprises Act 1992*, with an independent Board reporting to its sole shareholder, the Victorian Government.

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. In order 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 management 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 and include:

- > selecting and appointing the Chief Executive with approval from the Minister for Public Transport
- > reviewing and evaluating performance of the Chief Executive
- > preparing a three-year Corporate Plan for the approval of the Minister for Public Transport and the Treasurer
- > considering management's recommendations on major investments and strategies to achieve VicTrack's objective of creating and adding value to assets under its control
- > ensuring appropriate controls, systems and procedures are in place to manage business risks and ensure compliance with legislative and government requirements, including occupational health and safety, environmental, rail safety and telecommunications regulatory requirements
- > reviewing and adopting annual financial budgets and assessing and monitoring results on a regular basis
- > approving annual financial statements.

Each subsidiary company within the Rolling Stock Holdings group of companies also has its own Board of Directors with responsibility for the management of the relevant company. The Board of each company consists of all of the VicTrack Directors plus VicTrack's Chief Executive.

Board composition

VicTrack Directors are appointed on the basis of their ability to contribute to meeting VicTrack's objectives.

The Board's size and composition enables it to make decisions in an expedient manner with input from Directors with a variety of skills, experience and perspectives.

At year end, the Board comprised five independent, non-executive Directors, including the Chair. Current Directors of VicTrack are Bruce Cohen (Chair), Chris Lovell (Deputy Chair), Elana Rubin, James Cain and Jenny Roche.

Each Director has wide experience with other boards and organisations and together they bring a diverse range of knowledge and business expertise to VicTrack.

Elana Rubin retired as Chair on 31 March 2010 and as a Director on 30 June 2010.

John Anderson retired as a Director on 31 March 2010 and Jenny Roche was appointed a Director on 1 April 2010.

Board meetings

VicTrack holds Board meetings, generally, on a monthly basis. Some Board meetings are held in regional areas to enable the Board to meet with stakeholders in different parts of the state.

Prior to Board meetings, a comprehensive set of Board papers that are complete and sufficient to enable sound decision-making on issues under consideration at the meeting is provided to Directors. In addition to the papers, members of the executive management and other members of management present to the Board as necessary.

Board performance

In accordance with the Board Charter, each year the Board conducts a review to evaluate its performance and identify areas for improvement.

Declaration of pecuniary interests

All Directors and nominated officers complete a declaration of pecuniary interests each year. Declarations by Directors are provided to the Chair while the declarations of the Chair and the Chief Executive are provided to the Secretary of the Department of Transport.

Independent professional advice

Directors are entitled to obtain independent professional advice at VicTrack's expense in relation to matters pertaining to their role as Director, provided prior notification is given to the Chair.

Delegation to management

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

Board committees

Four standing committees and an advisory panel assisted the Board to perform its role during the year.

These are the Audit and Risk Management Committee, Human Resources Committee, Property and Environment Committee, Telecommunications Committee and the Heritage Advisory Panel.

Each is chaired by a Director and has a formal charter setting out its roles and responsibilities and reviews its performance annually.

The charters are reviewed annually to ensure that they are appropriate to the effective functioning of the committees and panel and consistent with evolving principles of good corporate governance.

Audit and Risk Management Committee

The Audit and Risk Management Committee is chaired by VicTrack Director, Sam Andersen, and includes another two VicTrack Directors (VicTrack Chair, Bruce Cohen, and Deputy Chair, Chris Lovell). The committee is responsible for assisting the Board in relation to VicTrack's accounting and reporting responsibilities and identification and management of risk, including reporting of financial information, internal control systems, the internal audit program and the application and amendment of accounting policies.

The committee's charter requires that all members are financially literate and that at least one member has appropriate expertise in financial accounting or auditing.

The committee meets on a quarterly basis, with additional meetings held as required. Committee meetings are attended by both internal and external auditors as required.

The Chief Executive and General Manager Business Services attend committee meetings other than when, consistent with best practice, the Committee meets with the auditors in the absence of management.

Human Resources Committee

The Human Resources Committee is chaired by VicTrack Chair, Bruce Cohen and includes VicTrack Director, Sam Andersen. The Committee is responsible for reviewing and making recommendations to the Board in relation to remuneration and incentive arrangements for the Chief Executive, and for reviewing and monitoring VicTrack's remuneration policies and procedures. This includes ensuring compliance with government policies and guidelines.

Property and Environment Committee

The Property and Environment Committee is chaired by VicTrack Deputy Chair, Chris Lovell and includes VicTrack Director, Jenny Roche. This Committee is responsible for monitoring the implementation of the property strategy.

The Property and Environment Committee meets quarterly.

Telecommunications Committee

The Telecommunications Committee is chaired by VicTrack Director, Jenny Roche and includes VicTrack Chair, Bruce Cohen.

The Committee is responsible for monitoring the development and implementation of the telecommunications strategy.

The Telecommunications Committee meets at least six monthly.

Heritage Advisory Panel

The Heritage Advisory Panel is chaired by VicTrack Deputy Chair, Chris Lovell and includes a representative of Heritage Victoria, a heritage architect and VicTrack Chair, Bruce Cohen.

The panel's purpose is to assist the VicTrack Board to ensure that the VicTrack Heritage Program is managed to achieve the program objectives.

Specifically, the role of the panel includes:

- a. considering and recommending a prioritised Heritage Works Program to the Board
- b. recommending budget allocations for the Program to the Board
- c. investigating funding opportunities for the Program from other sources
- d. referring any risk management issues associated with the program to the Board.

The panel meets quarterly, or as otherwise required.

Board and committee meetings

During 2009–10, there were 12 Board meetings, six Audit and Risk Committee meetings, four Property and Environment Committee meetings, four Telecommunications Committee meetings and five Human Resources Committee meetings. Attendance at these meetings is set out in the following table:

	Board	Audit and Risk Management Committee	Property and Environment Committee	Telecommunications Committee	Human Resources Committee
Member					
Elana Rubin	12	5	–	3	5
Chris Lovell	12	6	4		1
Bruce Cohen	12	6	1	4	2
James Cain*	8	2	3		4
John Anderson**	8	2		3	1
Jenny Roche***	3	–		1	–
Sam Andersen****	–	6			–

* James Cain took a leave of absence from the Board from 1 March 2010

** John Anderson retired from the Board on 31 March 2010

*** Jenny Roche was appointed to the Board on 1 April 2010

**** Sam Andersen is a member of the Audit and Risk Management Committee only

Corporate Plan

VicTrack is required, under the *Rail Corporations Act 1996* 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 and the Minister for Public Transport and the Treasurer. The Corporate Plan is prepared annually and covers a three-year period starting from the current financial year.

Ministerial directions

During the reporting period, two directions were given to the VicTrack Board by the Treasurer of Victoria and the Minister for Public Transport.

One direction required the VicTrack Board to enter into the Metropolitan Infrastructure Head Lease (Train) and the Infrastructure Lease (Tram) with the Director of Public Transport and the Infrastructure Leases with the Franchisees, Metro Trains Melbourne Pty Ltd (Train) and KDR Victoria Pty Ltd (Tram).

The other direction required the VicTrack Board to execute various agreements and associated documents in relation to the Metropolitan Rail Refranchising Project. The agreements included amendments to the Regional Infrastructure Head Lease and the Metropolitan Infrastructure Head Lease between VicTrack, the Director of Public Transport and other parties, and associated documentation to give effect to the Metropolitan Rail Refranchising Project.

Enterprise risk management

VicTrack's activities necessarily involve the assumption of risk.

The Board and management are committed to identifying and appropriately managing 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 Plan and regularly reviews its risk records that detail each identified risk and the controls in place to manage that risk. The Plan and risk records mean that risk management is recognised as an integral part of each manager's day-to-day activity.

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

Risk management attestation

Standing Direction 4.5.5 of the *Financial Management Act 1994* requires public sector agencies to provide an annual attestation of compliance against the risk management process requirements as set out in the Victorian Government Risk Management Framework (VGRF).

With the assurance provided by the VicTrack Executive, Chief Executive, and the Audit and Risk Management Committee, I certify that Victorian Rail Track:

- > has risk management processes in place consistent with the International Standard ISO 31000:2009 (based on the Australian / New Zealand Risk Management Standard: AS/NZ 4360)
- > has an internal control system in place that enables the executive to understand and appropriately manage risk exposures
- > has critically reviewed the risk profile of the organisation during the period 1 July 2009 to 30 June 2010.

The Board verifies this assurance.



Bruce Cohen

Chair

Victorian Rail Track (VicTrack)

22 July 2010

Statutory information

Statutory framework

Victorian Rail Track (VicTrack) is a statutory corporation governed by the *Transport Integration Act 2010*.

It was established under section 8 of the *Rail Corporations Act 1996* and is a state business corporation under the *State Owned Enterprises Act 1992*.

The *Transport Integration Act 2010* came into effect on 1 July 2010. It is Victoria's new principal transport statute and requires all Victorian transport agencies, including VicTrack, to work together towards the common goal of an integrated and sustainable transport system.

VicTrack has a direct reporting line to the Minister for Public Transport as well as to the Treasurer.

Engagement of consultants

During 2009–10, VicTrack commissioned 31 consultancies individually valued at less than \$100,000, at a total cost of \$447,862. The majority of the consultancies supported transport-related property initiatives and the remediation of contaminated land and buildings. No consultancy was commissioned in excess of \$100,000.

Compliance with *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, and a compliance program is in place in order to meet these requirements and relevant guidelines.

Freedom of Information

VicTrack received five Freedom of Information (FOI) requests during the 2009–10 financial year.

Under the *Freedom of Information Act 1982*, only requests made in writing, clearly defining the required documents and accompanied by a lodgement fee of \$23.90 are considered valid.

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 FOI requirements, if applicable):

- a. a statement that declarations of pecuniary interests have been duly completed by all relevant officers
- b. details of publications produced by VicTrack about the activities of VicTrack and where they can be obtained
- c. details of any other research and development activities undertaken by VicTrack that are not otherwise covered either in this Report
- d. details of overseas visits undertaken including a summary of the objectives and outcomes of each visit
- e. details of assessments and measures undertaken to improve the occupational health and safety of employees, not otherwise detailed in this report
- f. a general statement on industrial relations within VicTrack and details of time lost through industrial accidents and disputes.

The information is available on request from:

The Company Secretary

VicTrack
GPO Box 1681
Melbourne Victoria 3001

National Competition Policy

The infrastructure leases with the Director of Public Transport provide for open access to Victoria's rail infrastructure. The Director sub-leases to V/Line Passenger, the Australian Rail Track Corporation and suburban train and tram franchisees to facilitate the state's open access regime, fostering competition among intrastate and interstate transport companies.

VicTrack also manages various rail terminals. 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 access regime. That is, no one party is given exclusive rights to the rail corridor to the detriment of competition.

Implementation of the *Victorian Industry Participation Policy*

In October 2003, the Victorian Parliament passed the *Victorian Industry Participation Policy Act 2003* which requires public bodies and departments to report on the implementation of the Victorian Industry Participation Policy (VIPP). Departments and public bodies are required to apply VIPP to all tenders that are more than \$3 million in suburban Melbourne and \$1 million in regional Victoria.

VicTrack's standard tendering procedures include compliance with the VIPP.

Whistleblowers Protection Act 2001

The main purposes of the *Whistleblowers Protection Act 2001* are:

- a. to encourage and facilitate disclosures of improper conduct by public officers and public bodies
- b. to provide protection for:
 - i. persons who make those disclosures
 - ii. persons who may suffer reprisals in relation to those disclosures
- c. to provide for the matters disclosed to be properly investigated and dealt with.

VicTrack has procedures for managing any such disclosure about the organisation or any of its officers established under Part 6 of the Act. These procedures provide for appropriate receipt, assessment and investigation of disclosures and action taken after investigation. They also provide for managing the welfare of the whistleblower and the person against whom a disclosure has been made.

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

Financial performance

The financial performance for the Parent Entity VicTrack was strong for the 2009–10 financial year, recording an operating profit before tax and depreciation of \$174.9 million and a net cash inflow from operating activities of \$110.2 million.

The depreciation charge for the Parent Entity VicTrack reflects usage of major infrastructure assets for public transport purposes. While the depreciation charge at times 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	2010 \$m	2009 \$m	2008 \$m	2007 \$m	2006 \$m
Total revenue	245.3	223.1	165.3	237.5	168.0
Total operating expenditure	(70.4)	(52.4)	(57.5)	(47.1)	(38.8)
Net profit/(loss) before income tax and depreciation	174.9	170.7	107.8	190.4	129.2
Depreciation charge	(156.7)	(141.5)	(129.4)	(118.3)	(100.7)
Net cash inflow from operating activities	110.2	90.2	42.5	148.3	56.3
Total assets	8,433.6	6,909.7	6,367.4	5,708.7	5,342.0
Total liabilities	(282.1)	(269.4)	(252.9)	(250.3)	(217.0)
Net assets	8,151.5	6,640.3	6,114.5	5,458.4	5,125.0
Total employees	241	196	164	145	123

The increase in net assets over the period reflects the government's investment in state public transport and support service assets.

Note: The 2007 results included transactions relating to the Victorian Government buying back the country rail infrastructure lease from Pacific National. This had a significant impact on these figures when compared with other years.

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 increased loss in 2009 is mainly attributable to exercising a call option for rolling stock in June 2009. This transaction brought to account 119 rolling stock units and the depreciation applicable to those units since they were put into operation.

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

Financial summary Consolidated Entity	2010 \$m	2009 \$m	2008 \$m	2007 \$m	2006 \$m
Total revenue	405.9	432.2	328.6	402.1	317.4
Total operating expenditure	(170.7)	(220.4)	(155.0)	(148.7)	(141.5)
Net profit/(loss) before income tax and depreciation	235.2	211.8	173.6	253.4	175.9
Depreciation charge	(248.2)	(258.2)	(216.4)	(202.1)	(179.2)
Net cash inflow from operating activities	475.3	540.3	181.9	174.6	49.9
Total assets	10,465.8	8,726.2	7,811.7	7,169.6	6,834.0
Total liabilities	(1,346.5)	(1,397.2)	(1,339.4)	(1,415.0)	(1,443.2)
Net assets	9,119.0	7,329.0	6,472.3	5,754.6	5,390.8
Total employees	241	196	164	145	123

The increase in net assets for the Consolidated Entity reflects the government's investment in new rolling stock for the public transport system.

Independent auditor's report

VAGO

Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Victorian Rail Track

The Financial Report

The accompanying financial report for the year ended 30 June 2010 of the Victorian Rail Track which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and the declaration by the chair, accountable officer and general manager has been audited. The financial report includes the consolidated financial statements of the economic entity, comprising the Victorian Rail Track and the entities it controlled at the year's end or from time to time during the financial year as disclosed in note 17 to the financial statements.

The Board Members' Responsibility for the Financial Report

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

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

Auditor's Responsibility

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

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

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

1

Level 24, 35 Collins Street, Melbourne Vic. 3000

Telephone 61 3 8601 7000 Facsimile 61 3 8601 7010 Email comments@audit.vic.gov.au Website www.audit.vic.gov.au

Auditing in the Public Interest

VAGO

Victorian Auditor-General's Office

Independent Auditor's Report (continued)

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report published in both the annual report and on the website of the Victorian Rail Track for the year ended 30 June 2010. The Board Members of the Victorian Rail Track are responsible for the integrity of the website. I have not been engaged to report on the integrity of the website. The auditor's report refers only to the statements named above. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the Victorian Rail Track website.

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.

Auditor's Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of Victorian Rail Track and the economic entity as at 30 June 2010 and their financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations), and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE
17 August 2010


for D D R Pearson
Auditor-General

2

Level 24, 35 Collins Street, Melbourne Vic. 3000
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Auditing in the Public Interest

Statutory statement

We certify that the attached financial report for Victorian Rail Track 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 2010 and the financial position of Victorian Rail Track as at 30 June 2010.

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 12 August 2010.



Bruce Cohen
Chair

12 August 2010



Bob McDonald
FCPA
Chief Executive

12 August 2010



Cynthia Lahiff
CPA
General Manager, Business Services

12 August 2010

Comprehensive operating statement

For the year ended 30 June 2010

	Note	Consolidated		Parent	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Income from transactions					
Telecommunications services		42,651	29,339	42,651	29,339
Property related income		26,882	31,681	26,882	31,681
Leasehold improvements/renewals received		93,784	77,948	93,784	77,948
Government contributions towards capital and related works		195,980	251,759	67,581	71,978
Other income	2	46,556	41,505	14,434	12,175
Capital assets charge		1,060,877	959,036	1,060,877	959,036
Total income from transactions		1,466,730	1,391,268	1,306,209	1,182,157
Expenses from transactions					
Employee benefits expense	3a	17,481	18,757	17,481	18,757
Depreciation and amortisation expense	3b	248,239	258,248	156,681	141,562
Finance costs		100,099	166,390	-	-
Capital assets charge		1,060,877	959,036	1,060,877	959,036
Supplies and services expense	3c	40,499	25,612	40,499	25,612
Other operating expenses	3d	12,667	9,619	12,461	8,014
Total expenses from transactions		1,479,862	1,437,662	1,287,999	1,152,981
Net result from transactions before income tax		(13,132)	(46,394)	18,210	29,176
Tax equivalent (expense)/benefit	13	3,842	14,548	248	(8,104)
Net result for the year		(9,290)	(31,846)	18,458	21,072
Other economic flows – other non-owner changes in equity					
Changes in land and buildings revaluation surplus		892,261	77,494	892,261	77,494
Total other economic flows – other non-owner changes in equity		892,261	77,494	892,261	77,494
Comprehensive result – total change in net worth		882,971	45,648	910,719	98,566

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

Balance sheet

As at 30 June 2010

	Note	Consolidated		Parent	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
ASSETS					
Financial assets					
Cash		4,466	4,457	2,619	2,962
Other financial assets	4	36,185	22,069	36,085	21,969
Trade and other receivables	5	37,543	29,889	164,169	156,513
Total financial assets		78,194	56,415	202,873	181,444
Non-financial assets					
Prepayments		2,442	2,064	2,442	2,064
Inventories	6	25	25	25	25
Property, infrastructure, plant and equipment	7a	10,321,708	8,604,273	8,228,288	6,726,167
Goodwill		63,417	63,417	-	-
Total non-financial assets		10,387,592	8,669,779	8,230,755	6,728,256
Total assets		10,465,786	8,726,194	8,433,628	6,909,700
LIABILITIES					
Trade and other payables	8	48,014	31,567	46,796	30,318
Employee benefits	9a	7,508	7,205	7,508	7,205
Environmental remediation	9a	-	3,928	-	3,928
Borrowings	10	1,127,508	1,187,194	1,064	917
Deferred tax liability	13	163,477	167,318	226,761	227,005
Total liabilities		1,346,507	1,397,212	282,129	269,373
Net assets		9,119,279	7,328,982	8,151,499	6,640,327
EQUITY					
Contributed equity	11	6,745,348	5,838,022	5,908,053	5,307,600
Reserves		1,977,072	1,084,811	1,977,072	1,084,811
Retained profits		396,859	406,149	266,374	247,916
Net worth		9,119,279	7,328,982	8,151,499	6,640,327

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 2010

		Contributed equity	Asset revaluation reserve (*)	Retained earnings	Total equity
Consolidated	Note	\$'000	\$'000	\$'000	\$'000
2010					
Balance at 1 July 2009		5,838,022	1,084,811	406,149	7,328,982
Net result for the period		-	-	(9,290)	(9,290)
Other non-owner changes in equity		-	892,261	-	892,261
Total comprehensive result for the year		5,838,022	1,977,072	396,859	8,211,953
Transactions with owners in their capacity as owners					
Contributions by owners during the year		907,326	-	-	907,326
Capital returned during the year		-	-	-	-
Balance at 30 June 2010	11	6,745,348	1,977,072	396,859	9,119,279
2009					
Balance at 1 July 2008		5,026,990	1,007,317	437,995	6,472,302
Net result for the period		-	-	(31,846)	(31,846)
Other non-owner changes in equity		-	77,494	-	77,494
Total comprehensive result for the year		5,026,990	1,084,811	406,149	6,517,950
Transactions with owners in their capacity as owners					
Contributions by owners during the year		811,632	-	-	811,632
Capital returned during the year		(600)	-	-	(600)
Balance at 30 June 2009	11	5,838,022	1,084,811	406,149	7,328,982

(*) The asset revaluation reserve is used to record increases and decreases in the fair value of non-current physical assets and funds on deposit to the extent that they offset one another. The reserve can only be used to pay dividends in limited circumstances.

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

Statement of changes in equity *cont.*

For the year ended 30 June 2010

		Contributed equity	Asset revaluation reserve (*)	Retained earnings	Total equity
Parent	Note	\$'000	\$'000	\$'000	\$'000
2010					
Balance at 1 July 2009		5,307,600	1,084,811	247,916	6,640,327
Net result for the period		-	-	18,458	18,458
Other non-owner changes in equity		-	892,261	-	892,261
Total comprehensive result for the year		5,307,600	1,977,072	266,374	7,551,046
Transactions with owners in their capacity as owners					
Contributions by owners during the year		600,453	-	-	600,453
Capital returned during the year		-	-	-	-
Balance at 30 June 2010	11	5,908,053	1,977,072	266,374	8,151,499
2009					
Balance at 1 July 2008		4,880,344	1,007,317	226,844	6,114,505
Net result for the period		-	-	21,072	21,072
Other non-owner changes in equity		-	77,494	-	77,494
Total comprehensive result for the year		4,880,344	1,084,811	247,916	6,213,071
Transactions with owners in their capacity as owners					
Contributions by owners during the year		427,256	-	-	427,256
Capital returned during the year		-	-	-	-
Balance at 30 June 2009	11	5,307,600	1,084,811	247,916	6,640,327

(*) The asset revaluation reserve is used to record increases and decreases in the fair value of non-current physical assets and funds on deposit to the extent that they offset one another. The reserve can only be used to pay dividends in limited circumstances.

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 2010

	Note	Consolidated		Parent	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		280,126	257,841	99,591	77,201
Interest received		1,052	1,951	1,006	1,893
Receipts from Victorian Government for:					
> capital assets charge (*)		1,060,877	959,036	1,060,877	959,036
> capital and related works (inclusive of GST) and termination payments		379,680	459,733	72,807	77,480
Total receipts		1,721,735	1,678,561	1,234,281	1,115,610
Payments to:					
Suppliers (inclusive of GST) and employees		(100,863)	(84,450)	(63,209)	(66,414)
Borrowing costs paid		(84,705)	(94,804)	-	-
Capital assets charge (*)		(1,060,877)	(959,036)	(1,060,877)	(959,036)
Total payments		(1,246,445)	(1,138,290)	(1,124,086)	(1,025,450)
Net cash provided by/(used in) operating activities	12(d)	475,290	540,271	110,195	90,160
Cash flows from investing activities					
Proceeds/(payments) for:					
Investments		(14,116)	2,281	(14,116)	2,281
Acquisition of property, plant and equipment		(403,487)	(481,698)	(96,615)	(99,445)
Sale of property, plant and equipment		193	4,276	193	4,276
Net cash provided by/(used in) investing activities		(417,410)	(475,141)	(110,538)	(92,888)
Cash flows from financing activities					
Proceeds/(payments) for:					
Borrowings		(57,871)	(67,693)	-	-
Net cash provided by/(Used in) financing activities		(57,871)	(67,693)	-	-
Net increase/(decrease) in cash held		9	(2,563)	(343)	(2,728)
Cash at the beginning of the financial year		4,457	7,020	2,962	5,690
Cash at the end of the financial year		4,466	4,457	2,619	2,962

(*) 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 and forming part of the 2010 Financial Statements

Note 1 – Summary of significant accounting policies

General information

The financial statements of Victorian Rail Track (“the Consolidated Entity”) for the year ended 30 June 2010 were authorised for issue in accordance with a resolution of the Directors on 12 August 2010.

The nature of the operations and principal activities of the Consolidated Entity are described in the directors’ report.

Basis of accounting preparation and measurement

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 consolidated financial statements of Victorian Rail Track and the separate financial statements of the Parent Entity also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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.

In accordance with Financial Reporting Direction 103D, Victorian Rail Track and its subsidiary companies are required to revalue each class of asset every five years. The Department of Treasury and Finance has provided a two-year exemption to VicTrack from applying the fair value model of accounting for fixed assets in its entity accounts for financial years ended 30 June 2009 and 2010. In accordance with this exemption, at 30 June 2010, apart from land, rail infrastructure assets are stated at either Allocation Statement valuation (if allocated to the Consolidated Entity) or at cost if the assets were constructed by the Consolidated Entity or lessees/sub-lessees. In the absence of a formal revaluation being undertaken of the Consolidated Entity’s infrastructure assets the Allocation Statement valuations are deemed to be at cost. It is the intention of the Consolidated Entity to value all assets at fair value for the reporting period ending 30 June 2011, in accordance with Financial Reporting Direction 103D.

Significant accounting estimates and judgements

In the application of the Consolidated Entity’s accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

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

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 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.

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.

Operating lease commitments – Group as lessor

The Group has entered into leases on its rolling stock. The Group 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 Group has classified the leases as operating leases.

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 Urgent Issues Group Consensus View, 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 2010 and the comparative information is presented for the year ended 30 June 2009.

Scope and presentation of financial statements

Comprehensive operating statement

Income and expenses in the comprehensive operating statement are classified according to whether or not they arise from 'transactions' or 'other economic flows'. This classification is consistent with the whole of government reporting format and is allowed under AASB 101 *Presentation of financial statements*.

'Transactions' and 'other economic flows' are defined by the *Australian system of government finance statistics: concepts, sources and methods 2005 Cat. No. 5514.0* published by the Australian Bureau of Statistics.

'Transactions' are those economic flows that are considered to arise as a result of policy decisions, usually interactions between two entities by mutual agreement. Transactions also include flows within an entity, such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash.

'Other economic flows' are changes arising from market re-measurements. They include gains and losses from disposals, revaluations and impairments of non-current physical and intangible assets; actuarial gains and losses arising from defined benefit superannuation plans; fair value changes of financial instruments and agricultural assets; and depletion of natural assets (non-produced) from their use or removal.

Notes to and forming part of the 2010 Financial Statements – cont.

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 (those expected to be recovered or settled beyond 12 months) are disclosed in the notes, where relevant.

Statement of changes in equity

The statement of changes in equity presents the 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 the changes due to amounts recognised in the comprehensive result and amounts recognised in other comprehensive income related to other non-owner changes in equity.

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*.

a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Victorian Rail Track (Parent Entity) as at 30 June 2010 and the results of all controlled entities for the year then ended. Victorian Rail Track and its controlled entities together are referred to in this financial report as “the Consolidated Entity”.

Controlled entities

Controlled entities are all entities over which the company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than 50% of the voting rights. 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 subsidiaries are accounted for at cost in the separate financial statements of the company.

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.

b) 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:

Rendering of services

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

Leasehold improvements

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

Government contributions

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

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.

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.

Proceeds from asset sales

Proceeds from asset sales are recognised at the time the asset is sold.

c) Expenses from transactions

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

(i) Employee expenses

Superannuation

The amount charged to the comprehensive operating statement in respect of superannuation represents the employers' contributions made by the Consolidated Entity to the superannuation funds of which employees are members. Further details are provided in Note 14.

(ii) Depreciation

All non-current assets, including leasehold improvements and renewals but excluding land, have been depreciated using the straight-line method of depreciation over their estimated useful lives to the Consolidated Entity. The range of depreciation rates used for each class of asset is as follows:

> buildings and structures	1.7% – 5.0%
> track	2.0% – 5.0%
> signals and communications	2.0% – 7.7%
> plant and equipment	2.0% – 33.0%
> rolling stock	3.3% – 50.0%

The above rates are the same as those applied in the previous financial year.

(iii) Finance cost – interest expense

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

(iv) 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 include 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.

(v) Supplies and services

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

(vi) Other operating expenses

Other operating expenses generally represent the day-to-day running costs incurred in normal operations.

(vii) 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 receipt 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 2010.

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*.

The charge equates to approximately 15% on the Parent Entity's average net assets for the year ended 30 June 2010.

Notes to and forming part of the 2010 Financial Statements – cont.

d) 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 2009–10, but limited to the income tax component of the NTER.

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.

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.

e) Impairment of assets

The Consolidated Entity assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Consolidated Entity makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use. An asset's value in use is its depreciated replacement cost as the entity's principal objective is not the generation of profit. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

f) Financial assets

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. Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or when the entity transfers substantially all the risks and rewards of the financial assets. If the entity neither retains nor transfers substantially all of the risks and rewards, it derecognises the asset if it has transferred control of the asset.

(i) Cash

Cash in the balance sheet comprises cash at bank and on hand.

(ii) Other financial assets

Other financial assets represent term deposits with maturity greater than three months recorded at cost less impairment. The term deposits represent a rolling 90 days fixed term investment with the Treasury Corporation of Victoria. These investments are ear-marked for use on future infrastructure improvement projects. Deposits are subject to redemption restrictions.

(iii) Trade and other 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.

g) 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) Inventory

Items held in stores at the end of the reporting period include spare parts and componentry generally used for the maintenance of rail infrastructure assets. Inventory is stated at the lower of cost and net realisable value. Cost is measured on the basis of weighted average cost. Inventories acquired for no cost or nominal consideration are measured at current replacement cost at the date of acquisition.

The provision for stock obsolescence relates to inventory that has not moved for three years or more, excluding inventory specifically held for emergency situations.

(iii) Property, infrastructure, plant and equipment

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 acquired are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs attributable to the acquisition.

Each class of assets which are subject to the revaluation model are required to be revalued every five years in accordance with Financial Reporting Direction 103D. The Department of Treasury and Finance has provided a two-year exemption to VicTrack from applying the fair value model of accounting for fixed assets in its entity accounts for financial years ended 30 June 2009 and 2010. In accordance with this exemption, at 30 June 2010, apart from land, rail infrastructure assets are stated at either Allocation Statement valuation (if allocated to the Consolidated Entity) or at cost if the assets were constructed by the Consolidated Entity or lessees/sub-lessees. In the absence of a formal revaluation being undertaken of the Consolidated Entity's infrastructure assets the Allocation Statement valuations are deemed to be at cost. It is the intention of the Consolidated Entity to value all assets at fair value for the reporting period ending 30 June 2011 in accordance with Financial Reporting Direction 103D.

Notes to and forming part of the 2010 Financial Statements – cont.

g) Non-financial assets – cont.

(iii) Property, infrastructure, plant and equipment – cont.

Plant and equipment

Plant and equipment, which includes rolling stock, is stated at cost. These assets subject to the revaluation model are required to be revalued every five years in accordance with Financial Reporting Direction 103D. The Department of Treasury and Finance has provided a two-year exemption to VicTrack from applying the fair value model of accounting for fixed assets in its entity accounts for financial years ended 30 June 2009 and 2010. In accordance with this exemption, at 30 June 2010, apart from land, rail infrastructure assets are stated at either Allocation Statement valuation (if allocated to the Consolidated Entity) or at cost if the assets were constructed by the Consolidated Entity or lessees/sub-lessees. In the absence of a formal revaluation being undertaken of the Consolidated Entity's infrastructure assets the Allocation Statement valuations are deemed to be at cost. It is the intention of the Consolidated Entity to value all assets at fair value for the reporting period ending 30 June 2011 in accordance with Financial Reporting Direction 103D.

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-current physical assets measured at fair value have been revalued in accordance with Financial Reporting Direction 103D. The Consolidated Entity's land was revalued with effect from 30 June 2010. The result of this revaluation is disclosed in this financial report.

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.

Revaluation increments are credited directly to the asset revaluation reserve, except to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the net result. Where this situation arises, the increment is recognised immediately as income in the net result.

Revaluation decrements are recognised immediately as expenses in the net result, except to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets. Where this situation arises, the revaluation decrement is debited to the asset revaluation reserve. Revaluation increments and decrements are offset against one another within classes of non-current assets.

Lease of infrastructure assets

The Consolidated Entity leases the majority of its rail infrastructure assets to the Director of Public Transport (DPT) for the purposes of conducting passenger and freight train and tram operations. The DPT 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 with its assets and specifically excludes trunk telecommunications infrastructure from the leases.

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.

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 include 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.

(iv) 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 2010, there was no impairment of the goodwill relating to the purchase of Rolling Stock Holdings (Victoria) 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.

h) 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

Liabilities for wages, salaries and annual leave expected to be settled within 12 months of the end of the reporting period are recognised in respect of employees' services up to the end of the reporting period and are measured as the amounts expected to be paid when the liabilities are settled. In accordance with AASB 119, the liability for annual leave, as a present entitlement of employees, is classified as a current liability.

Long service leave

The requirement for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates based on Reserve Bank of Australia – indicative mid rates of selected Commonwealth securities – Treasury fixed coupon bonds. Provisions made for unconditional long service leave are classified as a current liability, where the employee has a present entitlement to the benefit. The non-current liability represents long service leave entitlements accrued for employees with less than seven years of continuous service.

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.

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.

Notes to and forming part of the 2010 Financial Statements – *cont.*

(h) Liabilities – *cont.*

iv) 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.

i) Leases

A lease is a right to use an asset for an agreed period of time in exchange for payment.

Consolidated Entity as lessee

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 company are classified as finance leases. All other leases are classified as operating leases.

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 1c (iv).

Leased assets are depreciated on a straight-line basis over their estimated useful lives, where it is likely the company 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 the Department of Transport. Further details of the lease arrangements, which are part of the public transport franchising arrangements, can be found in the Department of Transport's Annual Report.

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.

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

In the event that lease incentives are received to enter into operating leases, the aggregate cost of incentives are recognised as a reduction of rental expense over the lease term on a straight-line basis, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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.

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

In the event that lease incentives are given to the lessee, the aggregate cost of incentives are recognised as a reduction of rental income over the lease term, on a straight line basis unless another systematic basis is more representative of the time pattern over which the economic benefit of the leased asset is diminished.

j) 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 net of the amount of GST recoverable from, or payable to, the ATO, except where the amount of GST incurred is not recoverable from the ATO.

k) 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.

l) Commitments

Commitments include operating and capital expenditure arising from non-cancellable contractual sources and are disclosed at their nominal value.

m) 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 in respect to the years ended 30 June 2009 and 30 June 2010.

n) Rounding

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

o) 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.

p) Going concern

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal trading operations and the realisation of assets and settlement of liabilities in the ordinary course of business. 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 (including V/Line Passenger) to cover the Consolidated Entity's contractual commitments.

Notes to and forming part of the 2010 Financial Statements – cont.

q) 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 2010. These are outlined in the table below:

Reference	Title	Summary	Applicable for annual reporting periods beginning or ending on	Application date for Consolidated Entity	Impact on financial statements
AASB 2009-5 [AASB 5, 8, 101, 107, 117, 118, 136 and 139]	Further amendments to Australian Accounting Standards arising from the annual improvements project.	Some amendments will result in accounting changes for presentation, recognition or measurement purposes, while other amendments will relate to terminology and editorial changes.	1 January 2010	1 January 2010	Impact is expected to be insignificant.
AASB 2 and AASB 2009-8	Amendments to Australian Accounting Standards – group cash-settled share-based payment transactions	The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the group share-based payment arrangement should be measured, that is, whether it is measured as an equity- or a cash-settled transaction.	1 July 2010	1 July 2010	No impact. AASB 2 does not apply to government departments or entities; consequently this standard does not apply.
AASB 132 and AASB 2009-10	Amendments to Australian Accounting Standards – classification of rights issues	In October 2009 the AASB issued an amendment to AASB 132 <i>Financial instruments: presentation</i> which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 <i>Accounting policies, changes in accounting estimates and errors</i> .	1 February 2010	1 July 2010	No impact. AASB 2 does not apply to government departments or entities; consequently this standard does not apply.

Reference	Title	Summary	Applicable for annual reporting periods beginning or ending on	Application date for Consolidated Entity	Impact on financial statements
AASB 9 and AASB 2009-11	<i>Financial instruments</i> , amendments to Australian Accounting Standards arising from AASB 9	AASB 9 <i>Financial instruments</i> addresses the classification and measurement of financial assets.	1 January 2013	1 July 2013 but available for early adoption.	Impact on the group is being evaluated.
Revised AASB 124, and AASB 2009-12	Related party disclosures and amendments to Australian Accounting Standards (effective from 1 January 2011)	In December 2009 the AASB issued a revised AASB 124 <i>Related party disclosures</i> . The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party.	1 January 2011 - must be applied retrospectively	1 July 2011	Impact on the group is being evaluated.
AASB Interpretation 19, and AASB 2009-13	Extinguishing financial liabilities with equity instruments, amendments to Australian Accounting Standards arising from Interpretation 19	AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.	1 July 2010	1 July 2010	Impact is expected to be insignificant.
AASB 2009-14	Amendments to Australian Interpretation – prepayments of a minimum funding requirement	In December 2009, the AASB made an amendment to Interpretation 14 <i>The limit on a defined benefit asset, minimum funding requirements and their Interaction</i> . The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements.	1 January 2011	1 July 2011	Impact is expected to be insignificant.

These Australian Accounting Standards and Interpretations have no impact on the financial statements of the Consolidated Entity for the year ended 30 June 2010.

Notes to and forming part of the 2010 Financial Statements – cont.

Note 2 – Income from transactions

	Note	Consolidated		Parent	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Interest received		1,047	1,865	1,001	1,865
Net gain/(loss) on sale of assets		(5,186)	947	(5,186)	947
Lease of the interstate rail corridors		-	(600)	-	(600)
Rolling stock lease income		29,225	29,330	-	-
Infrastructure management revenue		9,529	1,970	9,529	1,970
Other		11,941	7,993	9,090	7,993
Total other income		46,556	41,505	14,434	12,175

Note 3 – Expenses from transactions

(a) Employee benefits

	Note	Consolidated		Parent	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Salaries and wages		12,716	14,316	12,716	14,316
Associated labour costs:					
On-costs		1,841	1,731	1,841	1,731
Superannuation contributions		1,801	1,448	1,801	1,448
Total associated labour costs		3,642	3,179	3,642	3,179
Increase in provision for employee entitlements		1,123	1,000	1,123	1,000
Termination payments		-	262	-	262
Total employee benefits		17,481	18,757	17,481	18,757

(b) Depreciation and amortisation

	Note	Consolidated		Parent	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Buildings and structures		30,991	27,181	30,991	27,181
Track		63,102	58,226	63,102	58,226
Signals and communications		52,692	46,516	52,692	46,516
Plant and equipment		101,454	126,325	9,896	9,639
Total depreciation and amortisation		248,239	258,248	156,681	141,562

(c) Supplies and services

	Note	Consolidated		Parent	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Property services (including land tax)		10,645	4,228	10,645	4,228
Telecommunications expenses		13,716	10,452	13,716	10,452
Contract payments		9,998	7,465	9,998	7,465
Other		6,140	3,467	6,140	3,467
Total supplies and services		40,499	25,612	40,499	25,612

(d) Other operating expenses

	Note	Consolidated		Parent	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Increase/(decrease) in provision for doubtful debts		69	1	69	1
Bad debts		65	-	65	-
Insurance premiums		541	500	541	500
Legal fees		643	589	643	589
Occupancy costs		1,409	1,277	1,409	1,277
Customer construction expenses		4,604	-	4,604	-
Other expenses		5,336	7,252	5,130	5,647
Total other operating expenses		12,667	9,619	12,461	8,014

Notes to and forming part of the 2010 Financial Statements – *cont.*

Note 4 – Other financial assets

	Note	Consolidated		Parent	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Funds on deposit		100	100	-	-
Investments – Treasury Corporation of Victoria		36,085	21,969	36,085	21,969
Other financial assets		36,185	22,069	36,085	21,969
Reconciled by:					
Current					
Investments – Treasury Corporation of Victoria		36,085	21,969	36,085	21,969
		36,085	21,969	36,085	21,969
Non Current					
Funds on deposit		100	100	-	-
		100	100	-	-
Total other financial assets		36,185	22,069	36,085	21,969

Investments in Treasury Corporation of Victoria are carried at cost. These funds are ear-marked for use on future infrastructure improvement projects.

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% (2009: 5.15%) with quarterly payments of interest.

(a) Ageing analysis

Refer to Note 22, financial risk management for the ageing analysis of other financial assets.

(b) Risk exposure

Refer to Note 22, financial risk management for the nature and extent of risks arising from other financial assets.

Note 5 – Trade and other receivables

	Note	Consolidated		Parent	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Receivables		37,849	30,126	164,475	156,750
Less provision for impairment of receivables (a)		(306)	(237)	(306)	(237)
		37,543	29,889	164,169	156,513
Reconciled by:					
Current					
Receivables		37,787	30,076	164,413	156,700
Less provision for impairment of receivables (a)		(306)	(237)	(306)	(237)
		37,481	29,839	164,107	156,463
Non Current					
Receivables		62	50	62	50
Less provision for impairment of receivables		-	-	-	-
		62	50	62	50
Total receivables		37,543	29,889	164,169	156,513

(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 \$306,000 (2009: \$237,000) has been recognised by the Consolidated Entity and \$306,000 (2009: \$237,000) by the Parent Entity in the current year. These amounts have been included in "other 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 \$14,683,000 (2009: \$7,018,000); Parent Entity \$14,683,000 (2009: \$7,018,000).

Refer to Note 22, financial risk management for the ageing analysis of receivables.

Notes to and forming part of the 2010 Financial Statements – cont.

Note 5 – Trade and other receivables – cont.

(a) Impairment of receivables – cont.

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

	Note	Consolidated		Parent	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
At 1 July		237	236	237	236
Provision for impairment recognised during the year		69	1	69	1
Receivables written off during the year		-	-	-	-
Amounts reversed during the year		-	-	-	-
		306	237	306	237

(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 22 for more information on the risk management policy of the Consolidated Entity and the credit quality of the entity's receivables.

(c) Risk exposure

Detail regarding interest rate risk exposure is disclosed in Note 22, financial risk management.

Note 6 – Inventories

	Note	Consolidated		Parent	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Stores and materials		856	856	856	856
Less provision for stock obsolescence		(831)	(831)	(831)	(831)
Total inventories		25	25	25	25

A provision for stock obsolescence is raised when stock has not moved for a period of three years or more, excluding stock held for emergency situations.

(a) Inventory expense

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2010 amounted to nil (2009: nil).

Note 7 – Property, infrastructure, plant and equipment

Purpose group – transportation and communications

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

	Note	Consolidated		Parent	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Land					
Rail corridor land – at fair value – 30 June 2009		-	1,176,806	-	1,176,806
Rail corridor land – at fair value – 30 June 2010		1,714,722	-	1,714,722	-
Non-rail corridor land – at fair value – 30 June 2009		-	976,743	-	976,743
Non-rail corridor land – at fair value – 30 June 2010		1,315,144	-	1,315,144	-
Total land		3,029,866	2,153,549	3,029,866	2,153,549
Buildings and structures					
Allocation Statement valuation		803,426	803,426	803,426	803,426
Accumulated depreciation		(213,498)	(194,877)	(213,498)	(194,877)
Carrying amount		589,928	608,549	589,928	608,549
Leasehold improvements/renewals		330,357	227,981	330,357	227,981
Accumulated depreciation		(36,889)	(27,092)	(36,889)	(27,092)
Carrying amount		293,468	200,889	293,468	200,889
Cost		101,933	82,598	101,933	82,598
Accumulated depreciation		(12,576)	(10,004)	(12,576)	(10,004)
Carrying amount		89,357	72,594	89,357	72,594
Total buildings and structures after depreciation		972,753	882,032	972,753	882,032
Track					
Allocation Statement valuation		871,074	871,074	871,074	871,074
Accumulated depreciation		(251,004)	(229,544)	(251,004)	(229,544)
Carrying amount		620,070	641,530	620,070	641,530
Leasehold improvements/renewals		1,175,840	1,069,175	1,175,840	1,069,175
Accumulated depreciation		(160,471)	(124,820)	(160,471)	(124,820)
Carrying amount		1,015,369	944,355	1,015,369	944,355
Cost		175,621	175,621	175,621	175,621
Accumulated depreciation		(48,679)	(42,688)	(48,679)	(42,688)
Carrying amount		126,942	132,933	126,942	132,933
Total track after depreciation		1,762,381	1,718,818	1,762,381	1,718,818

Notes to and forming part of the 2010 Financial Statements – cont.

Note 7 – Property, infrastructure, plant and equipment – cont.

Purpose group – transportation and communications – cont.

(a) Reconciliation of carrying amounts at the beginning and end of the period – cont.

	Note	Consolidated		Parent	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Signals and communication					
Allocation Statement valuation		376,860	376,860	376,860	376,860
Accumulated depreciation		(129,185)	(116,982)	(129,185)	(116,982)
Carrying amount		247,675	259,878	247,675	259,878
Leasehold improvements/renewals		559,178	545,754	559,178	545,754
Accumulated depreciation		(120,676)	(91,210)	(120,676)	(91,210)
Carrying amount		438,502	454,544	438,502	454,544
Cost		220,053	176,679	220,053	176,679
Accumulated depreciation		(46,904)	(35,879)	(46,904)	(35,879)
Carrying amount		173,149	140,800	173,149	140,800
Signals and communication after depreciation		859,326	855,222	859,326	855,222
Plant and equipment					
Allocation statement valuation		1,044,702	897,347	-	-
Accumulated depreciation		(322,343)	(264,555)	-	-
Carrying amount		722,359	632,792	-	-
Leasehold improvements/renewals		4,890	4,869	4,890	4,869
Accumulated depreciation		(2,764)	(2,273)	(2,764)	(2,273)
Carrying amount		2,126	2,596	2,126	2,596
Finance lease at cost		1,014,096	1,014,096	-	-
Accumulated depreciation		(216,401)	(182,632)	-	-
Carrying amount		797,695	831,464	-	-
Cost		134,097	117,361	134,097	117,361
Accumulated depreciation		(65,793)	(46,491)	(65,793)	(46,491)
Carrying amount		68,304	70,870	68,304	70,870
Total plant and equipment after depreciation		1,590,484	1,537,722	70,430	73,466
Capital works in progress					
Leasehold improvements/renewals		1,376,749	906,249	1,376,749	906,249
Rolling stock under construction		573,366	413,850	-	-
Other		156,783	136,831	156,783	136,831
Capital works in progress		2,106,898	1,456,930	1,533,532	1,043,080
Total property, infrastructure, plant and equipment		10,321,708	8,604,273	8,228,288	6,726,167

	Land \$'000	Buildings & structures \$'000	Track \$'000	Signals & comms. \$'000	Plant & equipment \$'000	WIP \$'000	Total \$'000
Consolidated 2010							
Carrying amount at 1 July 2009	2,153,549	882,032	1,718,818	855,222	1,537,722	1,456,930	8,604,273
Additions (*)	3	18,938	1,778	-	6,754	1,062,865	1,090,338
Disposals	(12,869)	-	-	-	(128)	-	(12,997)
Revaluation surplus	892,261	-	-	-	-	-	892,261
Depreciation charge for the year	-	(30,991)	(63,102)	(52,692)	(101,454)	-	(248,239)
Transferred from WIP	850	102,774	104,887	56,796	147,590	(412,897)	-
Other adjustments	(3,928)	-	-	-	-	-	(3,928)
Carrying value at 30 June 2010	3,029,866	972,753	1,762,381	859,326	1,590,484	2,106,898	10,321,708
2009							
Carrying amount at 1 July 2008	2,074,273	823,286	1,568,023	765,087	1,496,007	961,146	7,687,822
Additions (*)	576	10,346	-	8,196	1,097	1,076,385	1,096,600
Disposals	(2,885)	-	-	-	(457)	-	(3,342)
Revaluation surplus	77,494	-	-	-	-	-	77,494
Depreciation charge for the year	-	(27,181)	(58,226)	(46,516)	(126,325)	-	(258,248)
Transferred from WIP	163	79,100	197,977	133,337	167,554	(578,131)	-
Other adjustments	3,928	(3,519)	11,044	(4,882)	(154)	(2,470)	3,947
Carrying value at 30 June 2009	2,153,549	882,032	1,718,818	855,222	1,537,722	1,456,930	8,604,273

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

Notes to and forming part of the 2010 Financial Statements – cont.

Note 7 – Property, infrastructure, plant and equipment – cont.

Purpose group – transportation and communications – cont.

(a) Reconciliation of carrying amounts at the beginning and end of the period – cont.

	Land \$'000	Buildings & structures \$'000	Track \$'000	Signals & comms. \$'000	Plant & equipment \$'000	WIP \$'000	Total \$'000
Parent 2010							
Carrying amount at 1 July 2009	2,153,549	882,032	1,718,818	855,222	73,466	1,043,080	6,726,167
Additions (*)	3	18,938	1,778	-	723	762,024	783,466
Disposals	(12,869)	-	-	-	(128)	-	(12,997)
Revaluation surplus	892,261	-	-	-	-	-	892,261
Depreciation charge for the year	-	(30,991)	(63,102)	(52,692)	(9,896)	-	(156,681)
Transferred from WIP	850	102,774	104,887	56,796	6,265	(271,572)	-
Other adjustments	(3,928)	-	-	-	-	-	(3,928)
Carrying value at 30 June 2010	3,029,866	972,753	1,762,381	859,326	70,430	1,533,532	8,228,288
2009							
Carrying amount at 1 July 2008	2,074,273	823,286	1,568,023	765,087	78,375	872,621	6,181,665
Additions (*)	576	10,346	-	8,196	1,097	587,750	607,965
Disposals	(2,885)	-	-	-	(457)	-	(3,342)
Revaluation surplus	77,494	-	-	-	-	-	77,494
Depreciation charge for the year	-	(27,181)	(58,226)	(46,516)	(9,639)	-	(141,562)
Transferred from WIP	163	79,100	197,977	133,337	4,244	(414,821)	-
Other adjustments	3,928	(3,519)	11,044	(4,882)	(154)	(2,470)	3,947
Carrying value at 30 June 2009	2,153,549	882,032	1,718,818	855,222	73,466	1,043,080	6,726,167

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

(b) Valuations of land

Land is carried at fair value, being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction. The valuation was based on independent assessments. The effective date of the valuation is 30 June 2010.

Note 8 – Trade and other payables

	Note	Consolidated		Parent	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Trade and other payables		48,014	31,567	46,796	30,318
Total trade and other payables		48,014	31,567	46,796	30,318

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) Non-current assets pledged as security

Refer to Note 10(b) for information on non-current assets pledged as security by the Parent Entity and its controlled entities.

Notes to and forming part of the 2010 Financial Statements – cont.

Note 9 – Provisions

	Note	Consolidated		Parent	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Long service leave		4,670	4,473	4,670	4,473
Annual leave		2,241	2,211	2,241	2,211
Other employee benefits		597	521	597	521
Environmental remediation		-	3,928	-	3,928
		7,508	11,133	7,508	11,133
Reconciled by:					
Current					
Long service leave (*)		4,440	4,294	4,440	4,294
Annual leave		2,241	2,211	2,241	2,211
Other employee benefits		597	521	597	521
Environmental remediation (**)		-	3,928	-	3,928
		7,278	10,954	7,278	10,954
Non Current					
Long service leave		230	179	230	179
		230	179	230	179
Total provisions		7,508	11,133	7,508	11,133

(*) Expected long service leave payment in the next 12 months is \$313,000 (2009: \$307,000) and \$4,357,000 (2009: \$3,987,000) is to be paid beyond the next 12 months.

(**) Provision for remediation works recognised in 2008–09 due to a contractual obligation to remediate. The works were completed during 2009–10.

(a) Movement in provisions

Consolidated Entity and Parent Entity	Employee benefits \$'000	Environmental remediation \$'000	Total \$'000
Balance at 1 July 2009	7,205	3,928	11,133
Additional provision recognised	303	-	303
Reductions arising from payments	-	(3,928)	(3,928)
Reductions resulting from re-measurement or settlement without cost	-	-	-
Balance at 30 June 2010	7,508	-	7,508
Balance at 1 July 2008	6,571	-	6,571
Additional provision recognised	634	3,928	4,562
Reductions arising from payments	-	-	-
Reductions resulting from re-measurement or settlement without cost	-	-	-
Balance at 30 June 2009	7,205	3,928	11,133

Notes to and forming part of the 2010 Financial Statements – cont.

Note 10 – Borrowings

	Note	Consolidated		Parent	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Secured loan		348,086	368,808	-	-
Lease liability		779,422	818,386	1,064	917
		1,127,508	1,187,194	1,064	917
Reconciled by:					
Current					
Secured loan		28,353	27,656	-	-
Lease liability		40,224	39,733	692	622
		68,577	67,389	692	622
Non current					
Secured loan		319,733	341,152	-	-
Lease liability		739,198	778,653	372	372
		1,058,931	1,119,805	372	372
Total borrowings		1,127,508	1,187,194	1,064	917

(a) Fair value

The fair values of borrowings are disclosed in Note 22, 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 statements revert to the lessor in the event of default.

(c) Defaults and breaches

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

Note 11 – Equity and movements in equity – Consolidated Entity

Contributed capital

	Capital 1 July 2009 \$'000	Capital returned \$'000	Additional capital \$'000	Capital 30 June 2010 \$'000
Assets				
Inventory	205	-	-	205
Receivables	2,715	-	-	2,715
Land	1,054,045	-	-	1,054,045
Buildings and structures	871,070	-	17,638	888,708
Track	1,422,278	-	1,778	1,424,056
Signals and communications	653,018	-	-	653,018
Plant and equipment	118,603	-	6,031	124,634
Works in progress/other assets	1,723,047	-	881,879	2,604,926
Total assets	5,844,981	-	907,326	6,752,307
Liabilities				
Provision for employee benefits	(6,959)	-	-	(6,959)
Total liabilities	(6,959)	-	-	(6,959)
Contributed capital at the end of the year	5,838,022	-	907,326	6,745,348

	Capital 1 July 2008 \$'000	Capital returned \$'000	Additional capital \$'000	Capital 30 June 2009 \$'000
Assets				
Inventory	205	-	-	205
Receivables	2,715	-	-	2,715
Land	1,054,645	(600)	-	1,054,045
Buildings and structures	867,061	-	4,009	871,070
Track	1,422,278	-	-	1,422,278
Signals and communications	646,621	-	6,397	653,018
Plant and equipment	118,603	-	-	118,603
Works in progress/other assets	921,821	-	801,226	1,723,047
Total assets	5,033,949	(600)	811,632	5,844,981
Liabilities				
Provision for employee benefits	(6,959)	-	-	(6,959)
Total liabilities	(6,959)	-	-	(6,959)
Contributed capital at the end of the year	5,026,990	(600)	811,632	5,838,022

Note 12 – 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 facilities in place.

(c) Finance facilities

The Consolidated Entity does not have any credit facilities in place at 30 June 2010 (2009: nil).

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

Cash as at the end of the year, as shown in the cash flow statement, is reconciled to the related items in the balance sheet as follows:

	Consolidated		Parent	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Net result for the period	(9,290)	(31,846)	18,458	21,072
Adjustments for:				
Depreciation/amortisation	248,239	258,248	156,681	141,562
Fair value adjustments	(2,348)	(2,622)	-	-
Loss/(profit) on sale of assets	5,186	(1,534)	5,186	(1,534)
Receipts recognised as contributed capital	303,275	411,749	-	-
Changes in assets/liabilities:				
Increase/(decrease) in provisions	303	4,561	303	4,561
Decrease/(increase) in receivables	10,678	(2,739)	11,183	(2,641)
Decrease/(increase) in prepayments	(378)	(152)	(378)	(152)
Assets received under lease agreements	(93,784)	(77,948)	(93,784)	(77,948)
Increase/(decrease) in payables	13,409	(17,446)	12,546	5,240
Net cash flow provided by/(used in) operating activities	475,290	540,271	110,195	90,160

Note 13 – National Tax Equivalent Regime

	Consolidated		Parent	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Current income tax				
Comprehensive Operating Statement				
Current income tax (expense)/benefit	9,619	12,073	3,580	(895)
Deferred income tax	(5,777)	2,475	(3,332)	(7,209)
Income tax (expense)/benefit reported in the Comprehensive Operating Statement	3,842	14,548	248	(8,104)
Income tax reconciliation				
Accounting profit/(loss) before tax	(13,132)	(46,394)	18,210	29,176
At company tax rate of 30%	3,940	13,919	(5,461)	(8,753)
Non-allowable items	(98)	629	5,709	649
Income tax (expense)/benefit	3,842	14,548	248	(8,104)

	Balance sheet		Comprehensive operating statement	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Deferred income tax				
Consolidated				
Deferred tax liabilities				
Accelerated depreciation	(285,507)	(274,783)	(10,724)	(8,806)
Finance lease asset	(239,628)	(249,713)	10,085	(14,794)
Fair value on loan	(187)	(54)	(133)	11
Interest receivable	(7)	(2)	(5)	8
	(525,329)	(524,552)	(777)	(23,581)
Deferred tax assets				
Fair value on loan	3,265	3,975	(710)	(791)
Finance lease liability	233,827	245,516	(11,689)	25,250
Losses available for offset	112,407	102,789	-	-
Prepaid revenue	9,760	2,473	7,287	1,407
Accrued leave	2,252	2,161	91	190
Doubtful debts	92	71	21	-
Stock obsolescence	249	249	-	-
	361,852	357,234	(5,000)	26,056
Net deferred tax asset/(liability)	(163,477)	(167,318)		
Deferred tax expense			(5,777)	2,475

Notes to and forming part of the 2010 Financial Statements – *cont.*

Note 13 – National Tax Equivalent Regime – *cont.*

	Balance sheet		Comprehensive operating statement	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Deferred income tax				
Parent				
Deferred tax liabilities				
Accelerated depreciation	(285,507)	(274,783)	(10,724)	(8,806)
Finance lease asset	(318)	(273)	(45)	(40)
Interest receivable	(7)	(2)	(5)	8
	(285,832)	(275,058)	(10,774)	(8,838)
Deferred tax assets				
Finance lease liability	320	276	44	32
Losses available for offset	46,399	42,823	-	-
Prepaid revenue	9,759	2,473	7,286	1,407
Accrued leave	2,252	2,161	91	190
Doubtful debts	92	71	21	-
Stock obsolescence	249	249	-	-
	59,071	48,053	7,442	1,629
Net deferred tax asset/(liability)	(226,761)	(227,005)		
Deferred tax expense			(3,332)	(7,209)

Note 14 – 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 2010 was 241 (2009: 196).

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

Superannuation fund (*)	30 June 2010	Contributions	30 June 2009	Contributions
	contributions	outstanding as	contributions	outstanding as
	\$'000	at 30/06/10	\$'000	at 30/6/09
		\$'000		\$'000
Transport Superannuation Scheme	294	28	280	7
State Superannuation Scheme	291	22	293	8
VicSuper Scheme	692	56	539	17
Other	524	47	336	11
	1,801	153	1,448	43

(*) 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 15 – Capital commitments

	Consolidated		Parent	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Within one year	145,808	244,235	17,232	16,481
One year or later and not later than five years	136,766	230,066	-	864
Total capital commitments	282,574	474,301	17,232	17,345

The Consolidated Entity has entered into contracts for the supply and manufacture of new passenger trains. As at 30 June 2010, \$573.0 million (2009: \$385.7 million) is recorded as works in progress for these assets.

Notes to and forming part of the 2010 Financial Statements – cont.

Note 16 – Lease commitments

	Consolidated		Parent	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Operating leases				
Within one year	59	66	59	66
Later than one year but not later than five years	30	71	30	71
Total operating lease commitments	89	137	89	137

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

	Consolidated		Parent	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Finance leases				
Within one year	146,643	135,000	692	622
Later than one year but not later than five years	803,137	512,944	372	295
Later than five years	400,889	657,402	-	-
Minimum finance lease payments	1,350,669	1,305,346	1,064	917
Less:				
Recoverable GST	(122,691)	(118,584)	-	-
Future finance lease charges	(448,556)	(368,376)	-	-
Present value of minimum finance lease payments	779,422	818,386	1,064	917

Finance leases relating to the introduction of new rolling stock have an average lease term of 15 years and an average implicit discount rate of 9.89%. There is an option under the Rolling Stock Lease Direct Agreements for the Director of Public Transport (or his nominee) to purchase the rolling stock at the expiry of the leases. The Director of Public Transport exercised the option nominating Rolling Stock Holdings as the purchaser, to acquire the residual value of Siemens Trains, Alstom Trains and Siemens Tram rolling stock from Commonwealth Bank entities. The exercising of the option resulted in adjustments to the value of the asset, lease liability, and government grant income and associated costs being taken up in the 2009 financial year. The payment of the finance lease liabilities will be funded by the state.

Note 17 – 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):

	Country of incorporation	Percentage of equity interest held by the Consolidated Entity	
		2010	2009
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 18 – Contingent liabilities

Environmental and property contingent liabilities

Upon the Consolidated Entity's establishment, and in subsequent asset allocations, the 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 is unable to reliably estimate future expenditure levels that are expected to be required to address environmental issues, including remediation activities. Due to 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 DPT under which its assets are made available to various transport operators and track access providers. Under these leases the Consolidated Entity provides various indemnities to the DPT, for example in relation to the exercise of certain powers under the respective leases. In turn, the DPT 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 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.

Litigation

The Consolidated Entity has been joined as a third party to two legal proceedings relating to damage caused by bushfires at Wingeel by a defendant to the proceedings. The parties in the proceedings are:

1. D.K.P. Bath Pty Ltd (plaintiff), Australian Rail Track Corporation Limited, Patrick Portlink Pty Ltd, Genesee & Wyoming Australia Pty Ltd and Twentieth Super Pace Nominees Pty Ltd (Defendants) and VicTrack (Third Party).
2. G&L Robinson (plaintiffs), Australian Rail Track Corporation Limited, Patrick Portlink Pty Ltd, Genesee & Wyoming Australia Pty Ltd and Twentieth Super Pace Nominees Pty Ltd (Defendants) and VicTrack (Third Party).

In addition, VicTrack is the first named defendant in proceedings relating to injuries allegedly sustained by the plaintiff as a result of a collision with a train at a rail crossing. The parties in the proceedings are:

Joshua Sorrell (plaintiff), Victorian Rail Track (VicTrack) (first defendant), Hobsons Bay Council (second defendant) and National Express Australia (BaysideTrains) Pty Ltd (third defendants).

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.

Note 19 – 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 Martin Pakula, Minister for Public Transport (appointed January 2010)
- > The Hon Lynne Kosky MP, Minister for Public Transport (retired January 2010)
- > The Hon John Lenders MP, Treasurer

Directors of the Board:

- > Dr Bruce Cohen
- > Mr Chris Lovell
- > Ms Jenny Roche (appointed 1 April 2010)
- > Ms Elana Rubin (retired 30 June 2010)
- > Mr John Anderson (retired 31 March 2010)
- > Mr James Cain (retired 12 July 2010)
- > Ms Sam Andersen (appointed 1 July 2010)

Accountable Officer:

- > Mr Bob McDonald

Remuneration of Responsible Persons:

Remuneration paid or payable to responsible persons during the year was:

Income band	Consolidated		Parent	
	2010 No.	2009 No.	2010 No.	2009 No.
\$0 to \$9,999	1	-	1	-
\$20,000 to \$29,999	2	-	2	-
\$30,000 to \$39,999	1	4	1	4
\$40,000 to \$49,999	1	-	1	-
\$50,000 to \$59,999	1	-	1	-
\$60,000 to \$69,999	-	1	-	1
\$360,000 to \$369,999	-	1	-	1
\$370,000 to \$379,999	1	-	1	-

Total remuneration of Responsible Persons: \$559,145 (2009: \$551,700)

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 year ended 30 June 2010 included the total salary package received during the year as well as a performance bonus relating to the 30 June 2010 year. The Accountable Officer's remuneration for the 30 June 2009 year included the total salary package received during the year as well as a performance bonus relating to the 30 June 2009 year.

The remuneration of the Minister for Transport is reported in the financial statements of the Department of Premier and Cabinet.

Notes to and forming part of the 2010 Financial Statements – *cont.*

Note 20 – 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	
	2010 no.	2009 no.	2010 no.	2009 no.
<\$100,000	3	2	3	2
\$100,000 – \$109,999	-	-	1	-
\$110,000 – \$119,999	1	-	-	-
\$130,000 – \$139,999	-	2	-	2
\$140,000 – \$149,999	-	-	3	1
\$150,000 – \$159,999	3	3	3	2
\$160,000 – \$169,999	2	1	-	2
\$170,000 – \$179,999	2	1	1	1
\$190,000 – \$199,999	-	1	-	-
\$200,000 – \$209,999	-	-	2	2
\$210,000 – \$219,999	-	-	2	-
\$220,000 – \$229,999	2	-	-	-
\$230,000 – \$239,999	1	1	-	-
\$240,000 – \$249,999	1	-	-	-
\$260,000 – \$269,999	-	1	-	-
Total numbers	15	12	15	12
Total amount	\$2,378,607	\$1,947,525	\$2,166,967	\$1,805,612

The executive officers’ remuneration for the years ended 30 June 2009 and 30 June 2010 include the total salary package received during the year as well as performance bonuses relating to the years ended 30 June 2009 and 30 June 2010 respectively.

Note 21 – Remuneration of auditors

	Consolidated		Parent	
	2010 \$	2009 \$	2010 \$	2009 \$
Audit fees paid or payable to the Victorian Auditor-General's Office for the audit of the financial statements:				
Paid as at 30 June	-	79,700	-	52,500
Payable as at 30 June	164,350	80,570	108,350	53,970
Total financial statement audit	164,350	160,270	108,350	106,470
Other assurance related services:				
Paid as at 30 June	-	-	-	-
Payable as at 30 June	-	293,500	-	293,500
Total asset fair value audit	-	293,500	-	293,500

Notes to and forming part of the 2010 Financial Statements – cont.

Note 22 – Financial risk management

The Consolidated Entity's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Consolidated Entity uses different methods to measure and manage different types of risk to which it is exposed. Risk management is carried out by management and approved by the Board of Directors.

The Consolidated Entity's principal financial instruments are listed below.

Categorisation of financial instruments:

	Contractual financial assets or liabilities designated at fair value through profit/loss \$'000	Contractual financial assets or liabilities held for trading at fair value through profit/loss \$'000	Contractual financial assets – loans and receivables \$'000	Contractual financial assets available- for-sale \$'000	Contractual financial liabilities at amortised cost \$'000	Total \$'000
Consolidated 2010						
Contractual financial assets						
Cash	-	-	4,466	-	-	4,466
Other financial assets	-	-	36,185	-	-	36,185
Trade and other receivables	-	-	37,543	-	-	37,543
Total contractual financial assets	-	-	78,194	-	-	78,194
Contractual financial liabilities						
Trade and other payables	-	-	-	-	48,014	48,014
Secured loan	-	-	-	-	348,086	348,086
Lease liability	-	-	-	-	779,422	779,422
Total contractual liabilities	-	-	-	-	1,175,522	1,175,522
2009						
Contractual financial assets						
Cash	-	-	4,457	-	-	4,457
Other financial assets	-	-	22,069	-	-	22,069
Trade and other receivables	-	-	29,889	-	-	29,889
Total contractual financial assets	-	-	56,415	-	-	56,415
Contractual financial liabilities						
Trade and other payables	-	-	-	-	31,567	31,567
Secured loan	-	-	-	-	368,808	368,808
Lease liability	-	-	-	-	818,386	818,386
Total contractual liabilities	-	-	-	-	1,218,761	1,218,761

	Contractual financial assets or liabilities designated at fair value through profit/loss \$'000	Contractual financial assets or liabilities held for trading at fair value through profit/loss \$'000	Contractual financial assets – loans and receivables \$'000	Contractual financial assets available- for-sale \$'000	Contractual financial liabilities at amortised cost \$'000	Total \$'000
Parent 2010						
Contractual financial assets						
Cash	-	-	2,619	-	-	2,619
Other financial assets	-	-	36,085	-	-	36,085
Trade and other receivables	-	-	164,169	-	-	164,169
Total contractual financial assets	-	-	202,873	-	-	202,873
Contractual financial liabilities						
Trade and other payables	-	-	-	-	46,796	46,796
Secured loan	-	-	-	-	-	-
Lease liability	-	-	-	-	1,064	1,064
Total contractual liabilities	-	-	-	-	47,860	47,860
2009						
Contractual financial assets						
Cash	-	-	2,962	-	-	2,962
Other financial assets	-	-	21,969	-	-	21,969
Trade and other receivables	-	-	156,513	-	-	156,513
Total contractual financial assets	-	-	181,444	-	-	181,444
Contractual financial liabilities						
Trade and other payables	-	-	-	-	30,318	30,318
Secured loan	-	-	-	-	-	-
Lease liability	-	-	-	-	917	917
Total contractual liabilities	-	-	-	-	31,235	31,235

Notes to and forming part of the 2010 Financial Statements – *cont.*

Note 22 – Financial risk management – *cont.*

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

	Net holding gain/(loss) \$'000	Total interest income/ (expense) \$'000	Fee income/ (expense) \$'000	Impairment loss \$'000	Total \$'000
Consolidated 2010					
Contractual financial assets					
Financial assets designated at fair value through profit/loss	-	1,047	-	-	1,047
Financial assets – loans and receivables	-	-	-	(306)	(306)
Financial assets available-for-sale recognised in net result	-	-	-	-	-
Financial assets available-for-sale recognised in other comprehensive result	-	-	-	-	-
Total contractual financial assets	-	1,047	-	(306)	741
Contractual financial liabilities					
Financial liabilities at amortised cost	-	-	-	-	-
Financial liabilities designated at fair value through profit/loss	-	-	-	-	-
Total contractual liabilities	-	-	-	-	-
2009					
Contractual financial assets					
Financial assets designated at fair value through profit/loss	-	1,865	-	-	1,865
Financial assets – loans and receivables	-	-	-	(237)	(237)
Financial assets available-for-sale recognised in net result	-	-	-	-	-
Financial assets available-for-sale recognised in other comprehensive result	-	-	-	-	-
Total contractual financial assets	-	1,865	-	(237)	1,628
Contractual financial liabilities					
Financial liabilities at amortised cost	-	-	-	-	-
Financial liabilities designated at fair value through profit/loss	-	-	-	-	-
Total contractual liabilities	-	-	-	-	-

	Net holding gain/(loss) \$'000	Total interest income/ (expense) \$'000	Fee income/ (expense) \$'000	Impairment loss \$'000	Total \$'000
Parent					
2010					
Contractual financial assets					
Financial assets designated at fair value through profit/loss	-	1,001	-	-	1,001
Financial assets – loans and receivables	-	-	-	(306)	(306)
Financial assets available-for-sale recognised in net result	-	-	-	-	-
Financial assets available-for-sale recognised in other comprehensive result	-	-	-	-	-
Total contractual financial assets	-	1,001	-	(306)	695
Contractual financial liabilities					
Financial liabilities at amortised cost	-	-	-	-	-
Financial liabilities designated at fair value through profit/loss	-	-	-	-	-
Total contractual liabilities	-	-	-	-	-
2009					
Contractual financial assets					
Financial assets designated at fair value through profit/loss	-	1,865	-	-	1,865
Financial assets – loans and receivables	-	-	-	(237)	(237)
Financial assets available-for-sale recognised in net result	-	-	-	-	-
Financial assets available-for-sale recognised in other comprehensive result	-	-	-	-	-
Total contractual financial assets	-	1,865	-	(237)	1,628
Contractual financial liabilities					
Financial liabilities at amortised cost	-	-	-	-	-
Financial liabilities designated at fair value through profit/loss	-	-	-	-	-
Total contractual liabilities	-	-	-	-	-

Note 22 – Financial risk management – cont.

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

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

- > for cash and cash equivalents, 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
- > for financial asset and liabilities that are held-for-trading or designated at fair value through profit or loss, the net gain or loss is calculated by taking the movement in the fair value of the financial asset or liability.

(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 company's market risk, limited to interest rate 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 use. 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 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 2010 was 2.84% (2009: 3.84%). 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% (2009: 5.15%). Interest income earned on investments is variable. For the year ended 30 June 2010, the Consolidated Entity had interest bearing investments with a weighted average interest rate of 3.87% (2009: 5.37%).

(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 denominated in foreign currencies and the reimbursement of cost from the Department of Transport, 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.

(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

	Weighted average effective interest rate %	Carrying amount \$'000	Fixed interest rate \$'000	Variable interest rate \$'000	Non- interest bearing \$'000
Consolidated 2010					
Financial assets					
Cash assets	2.84	4,466	-	3,932	534
Other financial assets	3.87	36,185	100	36,085	-
Trade and other receivables	-	37,543	-	-	37,543
Total financial assets		78,194	100	40,017	38,077
Financial liabilities					
Trade and other payables		48,014	-	-	48,014
Secured loan	5.37- 6.59	348,086	348,086	-	-
Finance lease	10.05	779,422	778,358	1,064	-
Total financial liabilities		1,175,522	1,126,444	1,064	48,014
2009					
Financial assets					
Cash assets	3.84	4,457	-	4,227	230
Other financial assets	5.37	22,069	100	21,969	-
Trade and other receivables	-	29,889	-	-	29,889
Total financial assets		56,415	100	26,196	30,119
Financial liabilities					
Trade and other payables	-	31,567	-	-	31,567
Secured loan	5.37- 6.59	368,808	368,808	-	-
Finance lease	10.05	818,386	817,469	917	-
Total financial liabilities		1,218,761	1,186,277	917	31,567

Notes to and forming part of the 2010 Financial Statements – *cont.*

Note 22 – Financial risk management – *cont.*

(a) Market risk – *cont.*

(iii) Interest rate risk – *cont.*

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

Interest rate exposure of financial instruments

	Weighted average effective interest rate %	Carrying amount \$'000	Fixed interest rate \$'000	Variable interest rate \$'000	Non- interest bearing \$'000
Parent 2010					
Financial assets					
Cash assets	2.62	2,619	-	2,619	-
Other financial assets	3.87	36,085	-	36,085	-
Trade and other receivables	-	164,169	-	-	164,169
Total financial assets		202,873	-	38,704	164,169
Financial liabilities					
Trade and other payables	-	46,796	-	-	46,796
Secured loan	-	-	-	-	-
Finance lease	6.88	1,064	-	1,064	-
Total financial liabilities		47,860	-	1,064	46,796
2009					
Financial assets					
Cash assets	3.79	2,962	-	2,962	-
Other financial assets	5.37	21,969	-	21,969	-
Trade and other receivables	-	156,513	-	-	156,513
Total financial assets		181,444	-	24,931	156,513
Financial liabilities					
Trade and other payables	-	30,318	-	-	30,318
Secured loan	-	-	-	-	-
Finance lease	7.20	917	-	917	-
Total financial liabilities		31,235	-	917	30,318

(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 the 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 payables. 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.

Notes to and forming part of the 2010 Financial Statements – *cont.*

Note 22 – Financial risk management – *cont.*

(b) Credit risk – *cont.*

Credit quality of financial assets

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:

	Financial institutions (AAA credit rating) \$'000	Government agencies (AAA credit rating) \$'000	Government agencies (BBB credit rating) \$'000	Other (minimum BBB credit rating) \$'000	Total \$'000
2010					
Consolidated					
Cash and cash equivalents	4,466	-	-	-	4,466
Other financial assets	-	36,185	-	-	36,185
	4,466	36,185	-	-	40,651
Parent					
Cash and cash equivalents	2,619	-	-	-	2,619
Other financial assets	-	36,085	-	-	36,085
	2,619	36,085	-	-	38,704
2009					
Consolidated					
Cash and cash equivalents	4,457	-	-	-	4,457
Other financial assets	-	22,069	-	-	22,069
	4,457	22,069	-	-	26,526
Parent					
Cash and cash equivalents	2,962	-	-	-	2,962
Other financial assets	-	21,969	-	-	21,969
	2,962	21,969	-	-	24,931

Ageing analysis of contractual financial assets

	Carrying amount	Not past due and not impaired	Past due but not impaired			Impaired financial assets
			31-90 days	91-180 days	Over 180 days	
			\$'000	\$'000	\$'000	
2010 Consolidated						
Cash and cash equivalents	4,466	4,466	-	-	-	-
Other financial assets	36,185	36,085	-	-	100	-
Trade and other receivables	37,543	22,554	10,337	2,011	2,641	(306)
	78,194	63,105	10,337	2,011	2,741	(306)
Parent						
Cash and cash equivalents	2,619	2,619	-	-	-	-
Other financial assets	36,085	36,085	-	-	-	-
Trade and other receivables	164,169	149,180	10,337	2,011	2,641	(306)
	202,873	187,884	10,337	2,011	2,641	(306)
2009 Consolidated						
Cash and cash equivalents	4,457	4,457	-	-	-	-
Other financial assets	22,069	21,969	-	-	100	-
Trade and other receivables	29,889	22,634	4,728	1,668	859	(237)
	56,415	49,060	4,728	1,668	959	(237)
Parent						
Cash and cash equivalents	2,962	2,962	-	-	-	-
Other financial assets	21,969	21,969	-	-	-	-
Trade and other receivables	156,513	149,258	4,728	1,668	859	(237)
	181,444	174,189	4,728	1,668	859	(237)

(c) Liquidity risk

Liquidity risk arises when VicTrack is unable to meet its financial obligations as they fall due. The Consolidated Entity operates under a payment policy of settling obligations within 45 days from receipts of invoice and approval of payment. 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 \$43.4 million (2009: \$51.6 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.

Notes to and forming part of the 2010 Financial Statements – *cont.*

Note 22 – Financial risk management – *cont.*

(d) Maturity of financial assets/liabilities

The tables below analyse the group's and company'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 \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000	Carrying amount \$'000
2010					
Consolidated					
Liquid financial assets					
Cash and cash equivalents	4,466	-	-	4,466	4,466
Other financial assets	36,185	-	-	36,185	36,185
	40,651	-	-	40,651	40,651
Financial liabilities					
Trade and other payables	48,014	-	-	48,014	48,014
Due to related parties	-	-	-	-	-
Secured loans	28,353	155,005	164,728	348,086	348,086
Finance leases	40,224	280,544	458,654	779,422	779,422
	116,591	435,549	623,382	1,175,522	1,175,522
Net inflow/(outflow)	(75,940)	(435,549)	(623,382)	(1,134,874)	(1,134,874)
2009					
Consolidated					
Liquid financial assets					
Cash and cash equivalents	4,457	-	-	4,457	4,457
Other financial assets	22,069	-	-	22,069	22,069
	26,526	-	-	26,526	26,526
Financial liabilities					
Trade and other payables	31,567	-	-	31,567	31,567
Due to related parties	-	-	-	-	-
Secured loans	27,656	150,305	190,847	368,808	368,808
Finance leases	39,733	255,930	522,723	818,386	818,386
	98,956	406,235	713,570	1,218,761	1,218,761
Net inflow/(outflow)	(72,430)	(406,235)	(713,570)	(1,192,235)	(1,192,235)

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
2010					
Parent					
Liquid financial assets					
Cash and cash equivalents	2,619	-	-	-	2,619
Other financial assets	36,085	-	-	-	36,085
	38,704	-	-	-	38,704
Financial liabilities					
Trade and other payables	46,796	-	-	-	46,796
Due to related parties	-	-	-	-	-
Secured loans	-	-	-	-	-
Finance leases	692	372	-	-	1,064
	47,488	372	-	-	47,860
Net inflow/(outflow)	(8,784)	(372)	-	-	(9,156)
2009					
Parent					
Liquid financial assets					
Cash and cash equivalents	2,962	-	-	-	2,962
Other financial assets	21,969	-	-	-	21,969
	24,931	-	-	-	24,931
Financial liabilities					
Trade and other payables	30,318	-	-	-	30,318
Due to related parties	-	-	-	-	-
Secured loans	-	-	-	-	-
Finance leases	622	295	-	-	917
	30,940	295	-	-	31,235
Net inflow/(outflow)	(6,009)	(295)	-	-	(6,304)

Notes to and forming part of the 2010 Financial Statements – *cont.*

Note 22 – Financial risk management – *cont.*

(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 variables other than the primary risk variable held constant. The Consolidated Entity's management cannot be expected to predict movements in market rates and prices, sensitivity 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 50 basis points down (2009: 100 basis points up and 50 basis points down) in market interest rates (AUD)

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

(f) Sensitivity analysis – Consolidated Entity

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:

Market risk exposure	Carrying amount subject to interest	Interest rate risk			
		- 0.5%		+ 1.0%	
		Net result	Revaluation reserve	Net result	Revaluation reserve
2010	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets					
Cash and cash equivalents	4,466	(27)	-	54	-
Other financial assets	36,185	(115)	-	231	-
Trade and other receivables	37,543	-	-	-	-
Financial liabilities					
Trade and other payables	48,014	-	-	-	-
Interest-bearing loans and borrowings	1,127,508	-	-	-	-
Total increase/(decrease)		(142)	-	281	-
2009	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets					
Cash and cash equivalents	4,457	(39)	-	78	-
Other financial assets	22,069	(150)	-	301	-
Trade and other receivables	29,889	-	-	-	-
Financial liabilities					
Trade and other payables	31,567	-	-	-	-
Interest-bearing loans and borrowings	1,187,194	-	-	-	-
Total increase/(decrease)		(189)	-	379	-

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

(f) Sensitivity analysis – Parent Entity

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:

Market risk exposure	Carrying amount subject to interest	Interest rate risk			
		- 0.5%		+ 1.0%	
		Net result	Revaluation reserve	Net result	Revaluation reserve
2010	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets					
Cash and cash equivalents	2,619	(21)	-	41	-
Other financial assets	36,085	(115)	-	231	-
Trade and other receivables	164,169	-	-	-	-
Financial liabilities					
Trade and other payables	46,796	-	-	-	-
Interest-bearing loans and borrowings	1,064	-	-	-	-
Total increase/(decrease)		(136)	-	272	-
2009	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets					
Cash and cash equivalents	2,962	(33)	-	65	-
Other financial assets	21,969	(150)	-	301	-
Trade and other receivables	156,513	-	-	-	-
Financial liabilities					
Trade and other payables	30,318	-	-	-	-
Interest-bearing loans and borrowings	917	-	-	-	-
Total increase/(decrease)		(183)	-	366	-

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

Notes to and forming part of the 2010 Financial Statements – *cont.*

Note 22 – Financial risk management – *cont.*

(g) Net fair value of financial assets and liabilities

The net fair value of cash, other financial assets, non-interest bearing receivables and payables and borrowings to their carrying amount is as follows:

	2010		2009	
	Carrying amount \$'000	Net fair value \$'000	Carrying amount \$'000	Net fair value \$'000
Consolidated				
Financial assets				
Cash assets	4,466	4,466	4,457	4,457
Other financial assets	36,185	36,185	22,069	22,069
Trade and other receivables	37,543	37,543	29,889	29,889
Total financial assets	78,194	78,194	56,415	56,415
Financial liabilities				
Trade and other payables	(48,014)	(48,014)	(31,567)	(31,567)
Borrowings	(1,127,508)	(1,119,946)	(1,187,194)	(1,037,119)
Total financial liabilities	(1,175,522)	(1,167,960)	(1,218,761)	(1,068,686)
Net financial assets	(1,097,328)	(1,089,766)	(1,162,346)	(1,012,271)

	2010		2009	
	Carrying amount \$'000	Net fair value \$'000	Carrying amount \$'000	Net fair value \$'000
Parent				
Financial assets				
Cash assets	2,619	2,619	2,962	2,962
Other financial assets	36,085	36,085	21,969	21,969
Trade and other receivables	164,169	164,169	156,513	156,513
Total financial assets	202,873	202,873	181,444	181,444
Financial liabilities				
Trade and other payables	(46,796)	(46,796)	(30,318)	(30,318)
Borrowings	(1,064)	(1,064)	(917)	(917)
Total financial liabilities	(47,860)	(47,860)	(31,235)	(31,235)
Net financial assets	155,013	155,013	150,209	150,209

The Consolidated Entity determines net fair values in the following manner:

Cash assets	The carrying amount represents fair value as it equates to the account balance withdrawable by the Consolidated Entity at any time without notice.
Other financial assets	For investments, the carrying amount represents fair value as it comprises a contractual obligation on the financial institution to repay principal to this value upon maturity. For funds on deposit, the fair value represents the present value of interest and the amount on deposit.
Trade and other receivables	The carrying amount represents fair value, as it is a contractual obligation on the debtor, usually payable within 30 days of the date of recognition.
Trade and other payables	The carrying amount represents fair value, as it comprises a contractual obligation on the Consolidated Entity, usually payable within 45 days of the date of recognition.
Borrowings	The fair value represents the present value of interest and principal repayments.

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* An FRD is a Financial Reporting Direction issued by the Minister for Finance pursuant to section 8 of the *Financial Management Act 1994*. Compliance with FRDs is mandatory.

+ An SD is a Standing Direction under the *Financial Management Act 1994*. Compliance with SDs is mandatory.

Notes to and forming part of the 2010 Financial Statements – cont.

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Appendix: Crossing upgrades 2009–10

Level and Pedestrian Crossing Upgrade and Active Advanced Warning System (AAWS) Programs 2009–10

Location	Treatment	
Ararat, Western Highway (Barkly Street)	AAWS only	
Bagshot, Midland Highway	AAWS only	
Ballan, Geelong – Ballan Road	AAWS only	
Ballarat, Creswick Road (Midland Highway)	AAWS only	
Beaufort, Packhams Lane	Passive to Boom Barriers	
Beaufort, Smith's Lane	Passive to Boom Barriers	[1]
Benalla, Benalla – Yarrawonga Road	Flashing Lights to Boom Barriers	[3]
Bendigo, Napier Street (Midland Highway)	Flashing Lights to Boom Barriers and AAWS	[1]
Berrybank, Foxhow Road	Flashing Lights to Boom Barriers	[1]
Burrumbeet, Cockpit Lagoon Road	Passive to Boom Barriers	[1]
Camperdown, Cressy Street (Camperdown-Lismore Road)	Flashing Lights to Boom Barriers	[1]
Camperdown, Cuthberts Road	Passive to Boom Barriers	[1]
Carnegie, Blackwood Street	Active Pedestrian Gates and DDA Compliance	[1]
Derby, Calder Highway	Flashing Lights to Boom Barriers and AAWS	[1]
Derrinallum, Hamilton Highway	Flashing Lights to Boom Barriers and AAWS	[1]
Dimboola, Dimboola – Rainbow Road	Flashing Lights to Boom Barriers	[1]
Donald, Sunraysia Highway	AAWS only	
Elaine, Midland Highway	Flashing Lights to Boom Barriers and AAWS	[1]
Fulham, Sale – Heyfield Road	Flashing Lights to Boom Barriers and AAWS	
Glenalbyn, Calder Highway	Flashing Lights to Boom Barriers and AAWS	[1]
Gnotuk, Darlington Road	Flashing Lights to Boom Barriers	[1]
Grovedale, Surf Coast Highway (Torquay Road)	AAWS only	
Inglewood, Calder Highway	Flashing Lights to Boom Barriers and AAWS	[1]
Inverleigh, Flemings Road	Passive to Boom Barriers	[1]
Irrewarra, Colac – Ballarat Road	Flashing Lights to Boom Barriers and AAWS	
Kerang, Murray Valley Highway	Flashing Lights to Boom Barriers and AAWS	[1]
Kilmany, Settlement Road	Passive to Flashing Lights	[1]
Manangatang, Mallee Highway	DDA Compliance	
Manangatang, Mallee Highway	Passive to Boom Barriers and AAWS	[1]
Marong, Calder Alternative Highway	Flashing Lights to Boom Barriers	[1]
Marshall, Barwon Heads Road	AAWS only	

Notes to and forming part of the 2010 Financial Statements – *cont.*

Merbein, Calder Highway (Main Avenue)	AAWS only	
Middle Creek, Middle Creek Road	Passive to Boom Barriers	[1]
Mitiamo, Echuca – Serpentine Road	Passive to Boom Barriers	[2]
Montgomery, Bundalagwah Road (Montgomery Road)	Flashing Lights to Boom Barriers	[1]
Moorabool, Geelong – Ballan Road (Steiglitz Road)	Flashing Lights to Boom Barriers and AAWS	[1]
Morwell, Tramway Road	AAWS only	
Murgheboluc, Harvey Road	Flashing Lights to Boom Barriers	[1]
Riversdale, Prospect Hill Road	Pedestrian Gates	
Rochester, Elizabeth Street	Flashing Lights to Boom Barriers	
Rochester, Northern Highway (Mary Street)	Flashing Lights to Boom Barriers and AAWS	
Rosedale, Friends Road	Passive to Flashing Lights	[1]
Sale, Maffra – Sale Road	Flashing Lights to Boom Barriers and AAWS	[1]
Sale, Raglan Street	Flashing Lights to Boom Barriers	[1]
Shepparton, Grahamvale Road (Shepparton Alternative Route)	Flashing Lights to Boom Barriers and AAWS	[1]
Sulky, Midland Highway	Flashing Lights to Boom Barriers and AAWS	[1]
Swan Hill, Murray Valley Highway	Flashing Lights to Boom Barriers and AAWS	[1]
Teddywaddy, Calder Highway	Flashing Lights to Boom Barriers and AAWS	[1]
Terang, Seymour Street	Passive to Flashing Lights	[1]
Traralgon, McNairn Road	Flashing Lights to Boom Barriers	[1]
Wallace, Bungaree – Wallace Road	Flashing Lights to Boom Barriers and AAWS	[1]
Wallan, Wallan – Whittlesea Road	AAWS only	
Winchelsea, Inverleigh – Winchelsea Road	Flashing Lights to Boom Barriers	[1]

Level crossing upgrades and improvements outside the level crossing program

Geelong, McKillop Street	Traffic light coordination	[4]
Nagambie, Racecourse Road	Passive to Boom Barriers	[4]
Wallan, Down end of platform	Active Pedestrian Gates and DDA Compliance	

Notes:

1. Commonwealth funding contribution for active upgrade
2. Upgraded by V/Line
3. Upgraded by ARTC
4. Upgraded on behalf of VicRoads (all other upgrades are on behalf of the Department of Transport)

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