



VicTrack

Annual Report
2010–11

Cover: Artist's impression of the Glen Waverley Transit-Oriented Development.

Contents

Letter to Ministers

17 August 2011

The Hon Terry Mulder MP
Minister for Public Transport
Level 16, 121 Exhibition Street
Melbourne VIC 3000

The Hon Kim Wells MP
Treasurer
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 2010 to 30 June 2011 for your presentation to Parliament.

Yours sincerely



Bruce Cohen
Chair

1 – ABOUT VICTRACK	2
VicTrack – a snapshot	2
Chair's Report	3
Core functions and business units	4
2 – OUTCOMES REPORT	5
Delivering value to transport	5
Delivering value to whole-of-government	7
3 – STATUTORY AND FINANCIAL REPORTING	8
Corporate governance	8
Statutory information	11
Financial performance	13
Independent auditor's report	15
Statutory Statement	17
Comprehensive Operating Statement	18
Balance Sheet	19
Statement of changes in equity	20
Cash flow Statement	22
Notes to the financial statements 30 June 2011	23
Disclosure index	76
APPENDICES	78
Crossing Upgrades 2010–11	78
Board members	79
Executive team and organisational structure	80
Mission, vision, values	81

Part One – About VicTrack

VicTrack – a snapshot

Victorian Rail Track (VicTrack) is a Victorian 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 in a safe and efficient manner.

VicTrack undertakes property, telecommunications and other commercial activities, ranging from property development that supports transport, objectives and 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 rents
- > 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. Those operators are responsible for managing the assets and delivering public transport or rail freight.

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. VicTrack reports to both the Minister for Public Transport and the Treasurer and operates under the *Transport Integration Act 2010*.

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

Chair's Report

VicTrack has enjoyed a busy and successful year, demonstrated by improved outcomes across all areas of our business and stronger relationships with key customers, stakeholders and business partners.

As an organisation, we are now well placed to drive further growth and help deliver the new Victorian Government's transport agenda.

In 2010-11, we successfully launched the major IKON development next to Glen Waverley railway station with our partner, Consolidated Properties. This project will provide train and bus services at the doorstep of 116 apartments, nine strata office suites and 1,000 square metres of retail space.

Significant progress was also made on the redevelopment of the Wodonga Central precinct. VicTrack worked closely with Wodonga City Council, Wodonga Chamber of Commerce, local businesses and residents on plans to revitalise the city. The new Urban Renewal Authority will now deliver the project, building on VicTrack's work.

The last 12 months has also seen major progress on two key telecommunications projects, with VicTrack's work on the new Digital Train Radio System and the new fibre network for Metro Trains Melbourne both nearing completion. These projects will provide significant benefits to the transport sector in terms of fast, reliable voice and data services.

Other highlights included connecting an extra six TAFE institutes to the TAFE Broadband Network to provide them with reliable high bandwidth services, and work to progress the upgrade of mobile phone services in the Melbourne Underground Rail Loop.

Improving the safety of Victoria's rail assets is one of VicTrack's ongoing commitments. During the past year we completed 24 level and pedestrian crossing upgrades.

We also installed new standard gauge track connections at Dynon Intermodal Terminal to improve its operational efficiency. These works have reduced train shunting requirements for arrivals and departures and improved train capacity.

Protecting Victoria's rail heritage continued to be a priority for VicTrack. Maldon railway station was fully restored after a devastating fire in October 2009. In addition, the rail heritage team was recognised by the City of Greater Geelong and The National Trust of Australia for its fine restoration work of Geelong Signal Box B.

Throughout the year we also worked with the local community to restore Creswick's historic railway station for community use. We look forward to exploring other uses for vacant railway buildings.

The Board had set challenging financial targets during the 2010-11 financial year, all of which have been achieved.

Organisationally, this year has seen ongoing improvements in the way VicTrack works. A new system for tracking injury and illness was introduced, which revealed a 35 per cent reduction in VicTrack's injury rate over the past three years. We are well below industry benchmarks for both lost time injuries and injuries resulting in claims.

For the third year in a row our annual staff survey found the majority of VicTrack employees feel engaged and supported by the organisation, with 72 per cent agreeing VicTrack was a 'truly great place to work'.

VicTrack is looking forward to the year ahead, particularly the opportunity to plan and deliver a range of property development projects that support transport and urban renewal.

We are also well placed to support the Government's transport plans, including studies for the Doncaster Rail Link and the Avalon Rail Link, upgrades to the freight rail network, and broader priorities for urban renewal and regional development.

And we are ready to start on safety upgrades to a further 75 level crossings throughout country Victoria thanks to a \$33 million Government commitment.

As we look towards the future, I want to take this opportunity to thank all those who have contributed to VicTrack's achievements over the past year.

In particular, I want to thank my fellow Board members, Chris Lovell (Deputy Chair), Jenny Roche and Sam Andersen for their hard work and integrity. I also want to thank the Minister for Public Transport, Terry Mulder, and other Ministers for their support and encouragement.

Finally, and most importantly, I want to acknowledge the dedication of VicTrack staff, led by Chief Executive Bob McDonald. Bob's strong leadership is helping VicTrack become an even more effective, customer-driven organisation.



Bruce Cohen
Chair

Core functions and business units

VicTrack's structure consists of three main departments supported by business services including finance, human resources, legal, safety, environment and 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
- > transit-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
- > maintaining infrastructure and property that is not leased to other parties
- > managing and developing key rail-based sites in the Melbourne area
- > providing rail track access to strategic central Melbourne areas, including 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.

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

Capital Projects

The Capital Projects Department is responsible for:

- > project managing for the Department of Transport the Victorian Government's Level and Pedestrian Crossing Upgrade Program (which includes the *Disability Discrimination Act 1992* upgrade program)
- > administering the Australian Level Crossing Assessment Model (ALCAM) system and database, and managing a program of level crossing safety research and development
- > various upgrade works to stations, car parks and other assets
- > delivering rail-related projects for VicRoads and local councils
- > managing the Rail Skills Centre – Victoria.

Part Two – Outcomes Report

Delivering value to transport

Supporting an effective and resilient public transport system

Highlights 2010–11

- > VicTrack is in the final stages of a three-year project to deliver, for the Department of Transport, a telecommunications transmission network for the new Digital Train Radio System. The project has involved the installation of dual fibre optic cable tails into every radio site along each metropolitan rail corridor.
- > The \$3 million Yarra Trams supervisory control and data acquisition (SCADA) project, that allows Yarra Trams to monitor and control its 49 substations across the tram network, is complete. It included construction of an optic fibre and synchronous digital hierarchy transmission network on all metropolitan tram routes.
- > A \$4 million fibre optic network linking Metro Trains Melbourne's 102 power substations is nearing completion. The new network will enable MTM to monitor and control power substations across the metropolitan network and replace the ageing traction power SCADA system.
- > VicTrack built 70 car parking spaces at Lilydale railway station and 270 car parking spaces at Hoppers Crossing railway station as part of the Metro Park and Ride Project.
- > A series of works were completed at the Bayley Street West end of Geelong railway station including a new paved access road and car park, new lighting and installation of closed circuit television.
- > VicTrack completed strengthening of the Spring Creek Road Bridge in Inverleigh several months ahead of schedule, improving safety for local motorists.
- > Footbridges in Colac, Traralgon and Kerang were resurfaced using recycled plastic tiles, significantly improving safe pedestrian access.
- > VicTrack has invested heavily in the Dynon Intermodal Terminal to improve its operational efficiency. New standard gauge track connections have reduced train shunting requirements for arrivals and departures and improved train capacity.
- > Several lease lots were combined into one larger precinct around the Dynon Intermodal Terminal, allowing a logistics partner to develop an empty container park, a locomotive fuel facility and a container wash as well as improve road access to the terminal.

Ensuring safety for all transport users

Highlights 2010–11

- > VicTrack upgraded safety at 24 road and pedestrian crossings across Victoria in 2010–11. Highlights of the program were:
 - The final level crossings on the Stony Point line were upgraded from flashing lights to boom barriers. Completion of these upgrades means that every public road level crossing on the metropolitan rail network is now protected by boom barriers.
 - A majority of level crossings in Shepparton were upgraded with boom barriers and new signalling was installed that will be remotely operated from Melbourne.
- > The Thales Axle Counter technology was type-approved into the V/Line network. This provides a more reliable train detection system on seasonal or low volume lines.
- > A project is underway to determine affordable level crossing warning technologies. Trials will commence in 2011–12.
- > As part of the ALCAM process, the second survey of level and occupation crossings in Victoria continued on target. Assessments are complete at 1,657 level and 609 occupation crossings on 27 rail lines.



Traralgon station footbridge was resurfaced during the year

Integrating transport and land use planning

Highlights 2010–11

- > The \$70 million IKON development adjacent to Glen Waverley railway station was successfully launched, with all apartments and commercial floor space sold off the plan within two weeks.

The development comprises 116 one and two-bedroom apartments, nine strata office suites and 1,000 square metres of retail space with associated improvements to amenity, access and security across the wider station precinct.

IKON is among the first to embrace a Transit-Oriented Development design scheme, that offers trains and buses on the doorstep for residents and businesses.

Subject to approvals, construction is due to start in late 2011 and is expected to be finished by early 2013.

- > VicTrack worked closely with the City of Wodonga, the Department of Transport and other stakeholders on a redevelopment plan for a large parcel of land in central Wodonga.

Previously used by trains, the land became available to help revitalise central Wodonga following completion of the Wodonga Rail Bypass.

The plan involves the realignment of existing roads, creation of a new town square, construction of additional office and retail spaces, and a new bus interchange. The project will now be delivered by the Urban Renewal Authority, building on VicTrack's extensive planning work.

- > A \$2 million retail and residential development adjacent to Glenbervie station in Essendon is awaiting review by the Victorian Civil and Administrative Tribunal (VCAT). Moonee Valley City Council approved the development of six one-bedroom apartments and a new retail shop in March 2011. A VCAT decision is expected by October 2011.
- > VicTrack finalised the sale to VicUrban of a 1.1 hectare site near Footscray railway station for the construction of a \$350 million mixed-use development.
- > A site in Pascoe Vale was sold for an affordable housing development and the upgrade of the local railway station. Housing Choices Australia purchased the Gaffney Street site from VicTrack in April 2011. The project will include resurfacing one of the platforms at Pascoe Vale railway station and building a new shelter to improve access and amenity for commuters.
- > Land near North Williamstown railway station will be redeveloped as an aged care facility following its sale to the Department of Health. As part of the sale, VicTrack will build a new commuter car park while Hobsons Bay City Council will establish a new playground.
- > VicTrack concluded a number of significant lease agreements, in particular, signing an agreement with Latrobe City Council to enable it to tender out a site next to the main Gippsland railway line as the Gippsland Intermodal Freight Terminal. This new industrial development will help transfer some freight from road to rail.



The design of the IKON development at Glen Waverley

Delivering value to whole-of-government

Supporting efficient government communications

Highlights 2010–11

- > VicTrack connected a further six TAFE institutes to the TAFE Broadband Network in 2010–11 to provide reliable high bandwidth services and improved interconnectivity.

The TAFE Broadband Network delivers one gigabyte-per-second Ethernet services to metropolitan and regional TAFEs so they can connect with each other and with the Victorian Government's data centres in Melbourne and regional Victoria.

- > VicTrack upgraded and expanded the intra-Government Secure Network (iGSN) in 2010–11 to provide improved services to one of its major customers, CenITex.

This work included upgrading service bandwidths from 1Gbps to 10Gbps, adding extra wavelength services to Victorian Government data centres and providing a high availability service to existing CBD sites.

Completed in 2009, the iGSN provides high bandwidth data links for major government departments in Melbourne's CBD with data centres in metropolitan Melbourne and regional Victoria.

Managing environmental challenges

Highlights 2010–11

- > Land contamination risks were assessed at more than 50 sites within the VicTrack portfolio as part of a risk mitigation and remediation program.
- > VicTrack worked closely with the Environment Protection Authority and the Environmental Auditor (appointed pursuant to the *Environment Protection Act 1970*) in 2010–11 to ensure ongoing compliance of the contaminated soil encapsulation structure at the Spotswood Depot site, and assessment and monitoring of groundwater impacts.

- > Asbestos audits and remediation works were completed at more than 50 buildings across VicTrack's asset portfolio in 2010–11.
- > VicTrack, in partnership with V/Line, completed a series of asbestos removal works under the Regional Infrastructure Lease. This partnership covers more than 500 assets, above and below ground, across Victoria. The program focuses on remediation and rectification works of high and medium-risk asbestos-containing materials.

Protecting rail heritage

Highlights 2010–11

- > Maldon railway station was fully restored in 2010–11 after fire damaged much of the 123-year-old building in October 2009. Built in 1888, the heritage-listed building is home to the Victorian Goldfields Railway, an important tourist attraction in the region. Extensive works, funded by an insurance claim, were carried out including to the kitchen and station master's office.
- > Overseen by a Heritage Advisory Panel, VicTrack's \$1 million Heritage Program preserves Victoria's rail heritage by restoring buildings and infrastructure listed on the State Heritage Register. The following works were completed during the year:
 - restoration of Geelong Signal Box B for which VicTrack received an award from the City of Greater Geelong and The National Trust of Australia (Victoria)
 - major repairs to the roof and foundations of Serviceton railway station to protect the 1880s building from water damage
 - major repairs to the roof of the Korumburra railway station as well as carpentry and painting works
 - refurbishment of Creswick station and goods shed to facilitate community use
 - refurbishment of the partially-collapsed lamp room at the Avoca railway station
- > Restoration works to the platform verandah at Maryborough railway station are ongoing.

Part Three – Statutory and Financial Reporting

Corporate governance

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

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

At year end, the Board comprised four independent, non-executive Directors, including the Chair. The current Directors of VicTrack are Bruce Cohen (Chair), Chris Lovell (Deputy Chair), Jenny Roche and Sam Andersen (appointed 1 July 2010).

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

Board meetings

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

Board performance

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

Declaration of pecuniary interests

All Directors and nominated officers complete an annual declaration of pecuniary interests. 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.

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

The members of the standing committees and the advisory panel are:

- > **Audit and Risk Management Committee** – Sam Andersen (Chair), Bruce Cohen and Chris Lovell
- > **Human Resources Committee** – Bruce Cohen (Chair) and Sam Andersen
- > **Property and Environment Committee** – Chris Lovell (Chair) and Jenny Roche
- > **Telecommunications Committee** – Jenny Roche (Chair) and Bruce Cohen
- > **Heritage Advisory Panel** – Chris Lovell (Chair), Bruce Cohen, a representative of Heritage Victoria and a heritage architect (Meets four times per year.).

Board and committee meetings and attendances

	Board	Audit and Risk Management Committee	Property and Environment Committee	Telecommunications Committee	Human Resources Committee
Member					
Bruce Cohen**	11	4	2**	4	4
Jenny Roche	11	–	4	4	1
Sam Andersen	10	4	–	–	3
James Cain*	–	–	–	–	–
Chris Lovell	9	4	4	–	–

* James Cain retired from the Board on 12 July 2010

** Bruce Cohen attended the Property and Environment meetings

Corporate Plan

VicTrack is required, under the *Transport Integration Act 2010* and the *State Owned Enterprises Act 1992*, to prepare a Corporate Plan for Ministerial approval. The purpose of the plan is to establish the framework for business strategies and performance monitoring, to be agreed between the Board 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, one direction was given to the VicTrack Board by the Minister for Public Transport, approved by the Treasurer of Victoria.

The direction required VicTrack to purchase the Melbourne Wholesale Fish Market site in Footscray Road by 30 June 2011 rather than 31 July 2011 and to allow the existing tenants to remain in the building until February 2012. This has given the tenants ample time to complete a replacement site in Kensington. VicTrack is planning to provide transport-related services on the strategically located site.

Enterprise risk management

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

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

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

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

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 (VGRMF).

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 Australian/New Zealand Risk Management Standard: AS/NZ ISO 31000:2009
- > 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 2010 to 30 June 2011.

The Board verifies this assurance.



Bruce Cohen
Chair
Victorian Rail Track (VicTrack)

11 August 2011

Statutory information

Statutory framework

Victorian Rail Track (VicTrack) is a statutory corporation governed by the *Transport Integration Act 2010* (TIA). It is a state business corporation under the *State Owned Enterprises Act 1992*.

The TIA requires all Victorian transport agencies, including VicTrack, to work together towards the common goal of an integrated and sustainable transport system.

VicTrack acts as the custodial owner of the State's transport-related land, infrastructure and assets consistent with the TIA vision statement and the transport system objectives. VicTrack must ensure that the State's transport-related land, infrastructure and assets are developed and used primarily to support the transport system; for other purposes that support government policy; and only for commercial gain if the development or use will not compromise the current or future transport system.

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

Engagement of consultants

During 2010–11, VicTrack commissioned 57 consultancies individually valued at less than \$100,000, at a total cost of \$824,288. 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 four Freedom of Information requests during the 2010–11 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 the Freedom of Information requirements, if applicable):

- (a) a statement that declarations of pecuniary interests have been duly completed by all relevant officers
- (b) details of 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 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

Statutory information – cont.

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 2010–2011 financial year, recording an operating profit before tax and depreciation of \$211.3 million and a net cash inflow from operating activities of \$79.1 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	2011 \$m	2010 \$m	2009 \$m	2008 \$m	2007 \$m
Total Revenue	277.0	245.3	223.1	165.3	237.5
Total Operating Expenditure	(65.7)	(70.4)	(52.4)	(57.5)	(47.1)
Net Profit/(Loss) before Income Tax & Depreciation	211.3	174.9	170.7	107.8	190.4
Depreciation Charge	(193.4)	(156.7)	(141.5)	(129.4)	(118.3)
Net Cash Inflow from Operating Activities	79.1	110.2	90.2	42.5	148.3
Total Assets (Note 2011 Fair Value)	18,399.2	8,433.6	6,909.7	6,367.4	5,708.7
Total Liabilities	(3,000.8)	(282.1)	(269.4)	(252.9)	(250.3)
Net Assets	15,398.4	8,151.5	6,640.3	6,114.5	5,458.4
Total Staff (Full and Part-Time)	266.0	241.0	196.0	164.0	145.0

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

Notes:

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

Financial Performance – cont.

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	2011 \$m	2010 \$m	2009 \$m	2008 \$m	2007 \$m
Total Revenue	427.5	405.9	432.2	328.6	402.1
Total Operating Expenditure	(155.1)	(170.7)	(220.4)	(155.0)	(148.7)
Net Profit/(Loss) before Income Tax & Depreciation	272.4	235.2	211.8	173.6	253.4
Depreciation Charge	(295.3)	(248.2)	(258.2)	(216.4)	(202.1)
Net Cash Inflow from Operating Activities	361.5	475.3	540.3	181.9	174.6
Total Assets (Note 2011 Fair Value)	21,540.4	10,465.8	8,726.2	7,811.7	7,169.6
Total Liabilities	(4,296.1)	(1,346.5)	(1,397.2)	(1,339.4)	(1,415.0)
Net Assets	17,244.3	9,119.0	7,329.0	6,472.3	5,754.6
Total Staff	266.0	241.0	196.0	164.0	145.0

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

Notes:

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

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 2011 of Victorian Rail Track which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the declaration by chair, accountable officer and general manager has been audited. The financial report includes the consolidated financial statements of the economic entity, comprising 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 18 to the financial statements.

The Board Members' Responsibility for the Financial Report

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Victorian Rail Track and the consolidated 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

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Auditing in the Public Interest

Independent auditor's report – cont.

VAGO

Victorian Auditor-General's Office

Independent Auditor's Report (continued)

Independence

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

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of Victorian Rail Track and the economic entity as at 30 June 2011 and of 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*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of Victorian Rail Track for the year ended 30 June 2011 included both in Victorian Rail Track's annual report and on the website. The Board Members of Victorian Rail Track are responsible for the integrity of Victorian Rail Track's website. I have not been engaged to report on the integrity of Victorian Rail Track's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
17 August 2011



D D R Pearson
Auditor-General

2

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Auditing in the Public Interest

Statutory Statement

We certify that the attached financial report for Victorian Rail Track (as an individual entity and the Consolidated Entity comprising Victorian Rail Track and its subsidiaries) 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 2011 and the financial position of Victorian Rail Track as at 30 June 2011.

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 11 August 2011.



Bruce Cohen
Chair

11 August 2011



Bob McDonald
FCPA
Chief Executive

11 August 2011



Cynthia Lahiff
CPA
General Manager, Business Services

11 August 2011

Comprehensive Operating Statement

For the year ended 30 June 2011

		Consolidated		Parent	
	Note	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Continuing Operations					
Income from transactions:					
Telecommunications services		46,146	42,651	46,146	42,651
Property related income		23,489	26,882	23,489	26,882
Leasehold improvements/renewals received		139,700	93,784	139,700	93,784
Government contributions towards capital and related works		154,616	195,980	35,446	67,581
Other income	2	58,726	51,742	27,390	19,620
Capital assets charge		1,175,430	1,060,877	1,175,430	1,060,877
Total income from transactions		1,598,107	1,471,916	1,447,601	1,311,395
Expenses from transactions:					
Employee benefits expense	3a	20,477	17,481	20,477	17,481
Depreciation and amortisation expense	3b	295,307	248,239	193,408	156,681
Finance costs		89,243	100,099	–	–
Capital assets charge		1,175,430	1,060,877	1,175,430	1,060,877
Supplies and services expense	3c	32,482	40,499	32,482	40,499
Other operating expenses	3d	12,901	12,667	12,698	12,461
Total expenses from transactions		1,625,840	1,479,862	1,434,495	1,287,999
Net result from transactions (net operating balance)		(27,733)	(7,946)	13,106	23,396
Other economic flows included in net result					
Net gain/(loss) from non-financial assets		4,804	(5,186)	4,804	(5,186)
Total other economic flows included in net result		4,804	(5,186)	4,804	(5,186)
Net result from continuing operations before income tax		(22,929)	(13,132)	17,910	18,210
Tax equivalent (expense)/benefit	14a	14,027	3,842	1,566	248
Net result		(8,902)	(9,290)	19,476	18,458
Other economic flows – other non-owner changes in equity					
Changes In physical asset revaluation surplus	12	9,994,607	892,261	9,056,387	892,261
Income tax on physical asset revaluation surplus	14d	(3,000,316)	–	(2,710,865)	–
Total other economic flows – other non-owner changes in equity		6,994,291	892,261	6,345,522	892,261
Comprehensive result		6,985,389	882,971	6,364,998	910,719

The Comprehensive Operating Statement should be read in conjunction with the accompanying notes to the financial statements.

Balance Sheet

As at 30 June 2011

	Note	Consolidated		Parent	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
ASSETS					
Financial assets					
Cash		5,177	4,466	3,405	2,619
Other financial assets	4	43,479	36,185	43,379	36,085
Trade and other receivables	5	26,493	37,543	153,224	164,169
Total financial assets		75,149	78,194	200,008	202,873
Non-financial assets					
Prepayments		2,663	2,442	2,663	2,442
Inventories	6	–	25	–	25
Property, infrastructure, plant and equipment	7(a)	21,399,229	10,321,708	18,196,518	8,228,288
Goodwill	1(j)(viii)	63,417	63,417	–	–
Total non-financial assets		21,465,309	10,387,592	18,199,181	8,230,755
Total assets		21,540,458	10,465,786	18,399,189	8,433,628
LIABILITIES					
Trade and other payables	8	68,745	48,014	48,019	46,796
Employee benefits	9	7,514	7,508	7,514	7,508
Borrowings	10	1,066,692	1,127,508	1,405	1,064
Deferred tax liability	14f	3,153,162	163,477	2,943,890	226,761
Total liabilities		4,296,113	1,346,507	3,000,828	282,129
Net assets		17,244,346	9,119,279	15,398,361	8,151,499
EQUITY					
Contributed capital	11	7,890,052	6,745,348	6,797,747	5,908,053
Reserves	12	8,971,363	1,977,072	8,322,594	1,977,072
Retained profits		382,931	396,859	278,020	266,374
Net worth		17,244,346	9,119,279	15,398,361	8,151,499

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 2011

	Note	Contributed equity \$'000	Asset revaluation reserve(*) \$'000	Retained earnings \$'000	Total equity \$'000
Consolidated 2011					
Balance at 1 July 2010		6,745,348	1,977,072	396,859	9,119,279
Net result for the year		–	–	(8,902)	(8,902)
Other non-owner changes in equity		–	6,994,291	(5,026)	6,929,265
Total comprehensive result for the year		6,745,348	8,971,363	382,931	16,099,642
Transactions with owners in their capacity as owners:					
Contributions by owners during the year	11	1,267,606	–	–	1,267,606
Capital returned during the year	11	(122,902)	–	–	(122,902)
Balance at 30 June 2011	11	7,890,052	8,971,363	382,931	17,244,346
2010					
Balance at 1 July 2009		5,838,022	1,084,811	406,149	7,328,982
Net result for the year		–	–	(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	11	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

(*) 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 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 2011

	Note	Contributed equity \$'000	Asset revaluation reserve(*) \$'000	Retained earnings \$'000	Total equity \$'000
Parent					
2011					
Balance at 1 July 2010		5,908,053	1,977,072	266,374	8,151,499
Net result for the year		–	–	19,476	19,476
Other non-owner changes in equity		–	6,345,522	(7,830)	6,337,692
Total comprehensive result for the year		5,908,053	8,322,594	278,020	14,508,667
Transactions with owners in their capacity as owners:					
Contributions by owners during the year	11	1,012,596	–	–	1,012,596
Capital returned during the year	11	(122,902)	–	–	(122,902)
Balance at 30 June 2011	11	6,797,747	8,322,594	278,020	15,398,361
2010					
Balance at 1 July 2009		5,307,600	1,084,811	247,916	6,640,327
Net result for the year		–	–	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	11	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

(*) 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 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 2011

	Note	Consolidated		Parent	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Cash flows from operating activities					
Receipts		284,310	280,126	111,831	99,591
Interest received		2,578	1,052	2,448	1,006
Receipts from the Victorian Government for:					
– capital assets charge (*)		1,175,430	1,060,877	1,175,430	1,060,877
– capital and related works (inclusive of GST) and termination payments		268,542	379,680	45,133	72,807
Total receipts		1,730,860	1,721,735	1,334,842	1,234,281
Payments					
Suppliers (inclusive of GST) and employees		(116,960)	(100,863)	(80,278)	(63,209)
Borrowing costs paid		(76,931)	(84,705)	–	–
Capital assets charge (*)		(1,175,430)	(1,060,877)	(1,175,430)	(1,060,877)
Total payments		(1,369,321)	(1,246,445)	(1,255,708)	(1,124,086)
Net cash flows from/(used in) operating activities	13(d)	361,539	475,290	79,134	110,195
Cash flows from investing activities					
Proceeds from/(payments for):					
Investments		(7,294)	(14,116)	(7,294)	(14,116)
Acquisition of property, plant & equipment		(299,267)	(403,487)	(75,858)	(96,615)
Sale of property, plant & equipment		4,804	193	4,804	193
Net cash from/(used in) investing activities		(301,757)	(417,410)	(78,348)	(110,538)
Cash flows from financing activities					
Proceeds/(payments) for:					
Borrowings		(59,071)	(57,871)	–	–
Net cash flows from/(used in) financing activities		(59,071)	(57,871)	–	–
Net increase/(decrease) in cash held		711	9	786	(343)
Cash at the beginning of the financial year		4,466	4,457	2,619	2,962
Cash at the end of the financial year		5,177	4,466	3,405	2,619

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

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

Notes to the financial statements 30 June 2011

Note 1 – Summary of Significant Accounting Policies

(a) General information

The financial statements of Victorian Rail Track (“the Consolidated Entity”) for the year ended 30 June 2011 were authorised for issue in accordance with a resolution of the Directors on 11 August 2011.

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

(b) Basis of accounting preparation and measurement

(i) Statement of compliance

These general purpose financial statements have been prepared on an 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.

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

Exceptions to the historical cost convention include:

- > non-financial physical assets which, subsequent to acquisition, are measured at a revalued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair value
- > Infrastructure assets, which are carried at fair value based on depreciated replacement cost.

(ii) 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:

(iii) Land Valuation

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

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

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

(iv) Non-financial physical assets

In addition to land, all non-financial physical assets are recognised initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment in accordance with the requirements of FRD103D Non-Current Physical Assets. For the year ended 30 June 2010, VicTrack and its consolidated entities received a temporary exemption from the Minister of Finance for having to fair value its non-financial physical assets other than land. The fair value was determined on the basis of depreciated replacement cost.

Independent valuations and assessments were performed for the fair value of the non-financial physical assets.

Notes to the financial statements 30 June 2011 – cont.

Where the assets are revalued, the revaluation increments are credited directly to the asset revaluation reserve except to the extent that an increment reverses a prior year decrement for that class of asset that had been recognised as an expense in which case the increment is recognised as revenue up to the amount of the expense. Revaluation decrements are recognised as an expense except where prior increments are included in the asset revaluation reserve for that class of asset in which case the decrement is taken to the reserve to the extent of the remaining increments. Within the same class of assets, revaluation increments and decrements within the year are offset.

(v) 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.

(vi) 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 2011 and the comparative information presented for the year ended 30 June 2010.

(c) Scope and presentation of financial statements

(i) 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. The net result is equivalent to profit or loss derived in accordance with Australian Accounting Standards.

(ii) Balance Sheet

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

Current and non-current assets and liabilities (those expected to be recovered or settled beyond 12 months) are disclosed in the notes, where relevant.

(iii) Statement of changes in equity

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

(iv) Cash flow statement

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

(v) Rounding of amounts

Amounts in the financial statements (including the notes) have been rounded to the nearest thousand dollars, unless otherwise stated.

(vi) Changes in accounting policy

During the year, VicTrack and its consolidated entities adopted a change in accounting policy in response to the direction of the Minister for Finance to implement fair valuation of infrastructure assets as at 30 June 2011. Infrastructure assets have previously been valued at cost. Under cost valuation, infrastructure assets are valued at construction cost or allocation statement valuation less any accumulated depreciation. Under fair valuation, infrastructure assets are initially measured at cost as this best approximates fair value at the time of acquisition. Subsequently, infrastructure assets are measured at fair value less accumulated depreciation and impairment losses. At 30 June 2011, the increase in the value of infrastructure assets above the written down value under the cost method is listed in the table below.

Asset Class	\$'000
Buildings and Structures	3,588,356
Track	3,526,879
Signals and Communications	2,033,231
Plant and Equipment	852,588
Increase in revaluation (refer to note 7)	10,001,054

(d) 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 2011 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".

(i) 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 per cent 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.

Notes to the financial statements 30 June 2011 – cont.

(d) Principles of consolidation – cont.

Investments in subsidiaries are accounted for at cost in the separate financial statements of the Company.

(ii) Transactions eliminated on consolidation

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

(e) Income from transactions

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

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

Income is recognised for the major business activities as follows:

(i) Rendering of services

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

(ii) Leasehold improvements

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

(iii) Government contributions

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

(iv) Interest income

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

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

(v) 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.

(vi) Proceeds from asset sales

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

(f) Expenses from transactions

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

(i) Employee expenses

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

(ii) Superannuation

The amount charged to the Comprehensive Operating Statement in respect of superannuation represents the employers' contributions made by the Consolidated Entity to superannuation funds of which employees are members. Further details are provided in Note 15.

(f) Expenses from transactions – *cont.*

(iii) Depreciation

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

Asset Class	Depreciation rates	Useful life
Buildings and structures	1.7% to 5.0%	59 to 20 years
Track	2.0% to 5.0%	50 to 20 years
Signals and communications	2.0% to 7.7%	50 to 13 years
Plant and equipment	2.0% to 33.0%	50 to 3 years
Rolling stock	3.3% to 50.0%	30 to 2 years

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

(iv) Finance Cost – Interest expense

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

(v) Finance Cost – Borrowing costs

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

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

(vi) Supplies and services

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

(vii) Other operating expenses

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

(viii) Capital assets charge

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

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

The capital assets charge is shown as both a 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 2011.

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 per cent on the Parent Entity's average net assets for the year ended 30 June 2011.

(g) 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 2010–11, but limited to the income tax component of the NTER.

(i) Current tax

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

Notes to the financial statements 30 June 2011 – cont.

(g) National Tax Equivalent Regime (NTER) – cont.

(ii) Deferred tax

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

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

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

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

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

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

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

(h) 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.

(i) Financial assets

(i) Recognition and derecognition

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

(ii) Cash

Cash in the Balance Sheet comprises cash at bank and on hand.

(iii) Other financial assets

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

(iv) 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 uncollectible 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.

(j) 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 are recognised initially at cost plus incidental costs attributable to the acquisition and subsequently revalued to fair value less accumulated depreciation and impairment in accordance with the requirements of FRD103D Non-Current Physical Assets. For the year ended 30 June 2010, VicTrack and its consolidated entities received a temporary exemption from the Minister of Finance from having to fair value its Rail infrastructure assets.

Independent valuations and assessments were performed for the fair value of the Rail infrastructure assets.

Where the assets are revalued, the revaluation increments are credited directly to the asset revaluation reserve except to the extent that an increment reverses a prior year decrement for that class of asset that had been recognised as an expense in which case the increment is recognised as revenue up to the amount of the expense. Revaluation decrements are recognised as an expense except where prior increments are included in the asset revaluation reserve for that class of asset in which case the decrement is taken to the reserve to the extent of the remaining increments. Within the same class of assets, revaluation increments and decrements within the year are offset.

> Plant and equipment

Plant and equipment, which include rolling stock, are recognised initially at cost plus incidental costs attributable to the acquisition and subsequently revalued to fair value less accumulated depreciation and impairment in accordance with the requirements of FRD103D Non-Current Physical Assets. For the year ended 30 June 2010, VicTrack and its consolidated entities received a temporary exemption from the Minister of Finance from having to fair value its plant and equipment assets.

Independent valuations and assessments were performed for the fair value of the plant and equipment assets.

Where the assets are revalued, the revaluation increments are credited directly to the asset revaluation reserve except to the extent that an increment reverses a prior year decrement for that class of asset that had been recognised as an expense in which case the increment is recognised as revenue up to the amount of the expense. Revaluation decrements are recognised as an expense except where prior increments are included in the asset revaluation reserve for that class of asset in which case the decrement is taken to the reserve to the extent of the remaining increments. Within the same class of assets, revaluation increments and decrements within the year are offset.

Notes to the financial statements 30 June 2011 – cont.

(j) Non-financial assets – cont.

(iv) 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.

Land is shown at fair value based on an independent valuation undertaken by the Valuer General Victoria as at 30 June 2010. Subsequent revaluations have been undertaken using indices based (where required) in accordance with FRD103D (Non Current Physical Assets).

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 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.

(v) 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 on its assets and specifically excludes trunk telecommunications infrastructure from the leases.

(vi) 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.

(vii) Rolling stock

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

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

(viii) 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 2011, 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.

(k) 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.

(iv) Employee benefits – 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.

(v) Employee benefit – on-costs

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

(vi) Employee benefits – Termination benefits

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

(vii) Provisions

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

Notes to the financial statements 30 June 2011 – cont.

(k) Liabilities – cont.

(vii) Provisions – cont.

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

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

(l) Leases

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

(i) 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 1f (v).

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.

(ii) Consolidated Entity as lessor

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

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 costs 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.

(m) 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.

(n) 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.

(o) Commitments

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

(p) 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 2010 and 30 June 2011.

(q) Rounding

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

(r) 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.

(s) 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 the financial statements 30 June 2011 – cont.

(t) 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 2011. These are outlined in the table below:

Reference	Summary	Applicable for annual reporting periods beginning or ending on	Application date for Consolidated Entity	Impact on Financial Statements
AASB 124 (Revised) Related Party Disclosures (December 2009)	<p>The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including:</p> <p>The definition now identifies a subsidiary and an associate with the same investor as related parties of each other</p> <p>Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other</p> <p>The definition now identifies that, whenever a person or entity has both joint control over second entity and joint control or significant influence over a third party, the second and third entities are related to each other</p> <p>A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.</p>	1 January 2011	1 July 2011	Impact is expected to be insignificant.
Consolidated Financial Statements	<p>IFRS 10 establishes a new control model that applies to all entities. It replaces parts of IAS 27 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities.</p> <p>The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This is likely to lead to more entities being consolidated into the group.</p>	1 January 2013	1 July 2013	Impact is expected to be insignificant.

(t) New accounting standards and interpretations – *cont.*

Reference	Summary	Applicable for annual reporting periods beginning or ending on	Application date for Consolidated Entity	Impact on Financial Statements
Disclosure of Interests in Other Entities	IFRS 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	1 July 2013	Impact is expected to be insignificant
Fair Value Measurement	IFRS 13 establishes a single source of guidance under IFRS for determining the fair value of assets and liabilities. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under IFRS when fair value is required or permitted by IFRS. Application of this definition may result in different fair values being determined for the relevant assets. IFRS 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.	1 January 2013	1 July 2013	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 2011.

Notes to the financial statements 30 June 2011 – cont.

Note 2 – Income from transactions

	Note	Consolidated		Parent	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Interest received		2,676	1,047	2,546	1,001
Rolling stock lease income		29,119	29,225	–	–
Infrastructure management revenue		12,945	9,529	12,945	9,529
Other		13,986	11,941	11,899	9,090
Total other income		58,726	51,742	27,390	19,620

Note 3 – Expenses from transactions

(a) Employee benefits

	Note	Consolidated		Parent	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Salaries and wages		14,805	12,716	14,805	12,716
Associated labour costs:					
On-costs		2,030	1,841	2,030	1,841
Superannuation contributions		2,288	1,801	2,288	1,801
Total associated labour costs		4,318	3,642	4,318	3,642
Increase in provision for employee entitlements		1,189	1,123	1,189	1,123
Termination payments		165	–	165	–
Total employee benefits		20,477	17,481	20,477	17,481

(b) Depreciation and amortisation

	Note	Consolidated		Parent	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Buildings and structures		35,403	30,991	35,403	30,991
Track		83,489	63,102	83,489	63,102
Signals and communications		63,398	52,692	63,398	52,692
Plant and equipment		113,017	101,454	11,118	9,896
Total depreciation and amortisation		295,307	248,239	193,408	156,681

Note 3 – Expenses from transactions – *cont.*

(c) Supplies and services

	Note	Consolidated		Parent	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Property services (including land tax)		4,379	10,645	4,379	10,645
Telecommunications expenses		10,802	13,716	10,802	13,716
Contract payments		7,441	9,998	7,441	9,998
Other		9,860	6,140	9,860	6,140
Total supplies and services		32,482	40,499	32,482	40,499

(d) Other operating expenses

	Note	Consolidated		Parent	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Increase/(decrease) in provision for doubtful debts		(2)	69	(2)	69
Bad debts		94	65	94	65
Insurance premiums		545	541	545	541
Legal fees		508	643	508	643
Occupancy costs		1,207	1,409	1,207	1,409
Customer construction expenses		5,562	4,604	5,562	4,604
Other expenses		4,987	5,336	4,784	5,130
Total other operating expenses		12,901	12,667	12,698	12,461

Notes to the financial statements 30 June 2011 – cont.

Note 4 – Other financial assets

	Note	Consolidated		Parent	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Funds on deposit		100	100	–	–
Investments – Treasury Corporation of Victoria		43,379	36,085	43,379	36,085
Other financial assets		43,479	36,185	43,379	36,085
Reconciled by:					
CURRENT					
Investments – Treasury Corporation of Victoria		43,379	36,085	43,379	36,085
		43,379	36,085	43,379	36,085
NON-CURRENT					
Funds on deposit		100	100	–	–
		100	100	–	–
Total other financial assets		43,479	36,185	43,379	36,085

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 per cent (2010: 5.15 per cent) with quarterly payments of interest.

(a) Ageing analysis

Refer to Note 23, Financial risk management, for the ageing analysis of other financial assets.

(b) Risk exposure

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

Note 5 – Trade and other receivables

	Note	Consolidated		Parent	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Receivables		26,797	37,849	153,528	164,475
Less provision for impairment of receivables (a)		(304)	(306)	(304)	(306)
		26,493	37,543	153,224	164,169
Reconciled by:					
CURRENT					
Receivables		26,732	37,787	153,463	164,413
Less provision for impairment of receivables (a)		(304)	(306)	(304)	(306)
		26,428	37,481	153,159	164,107
NON-CURRENT					
Receivables		65	62	65	62
Less provision for impairment of receivables		–	–	–	–
		65	62	65	62
Total receivables		26,493	37,543	153,224	164,169

(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 \$304,000 (2010: \$306,000) has been recognised by the Consolidated Entity and \$304,000 (2010: \$306,000) by the Parent Entity in the current year. These amounts have been included in "Other operating expenses" in the Comprehensive operating statement. No individual amount within the provision for impairment of receivables is material.

Receivables past due but not considered impaired are: Consolidated Entity \$2,615,000 (2010: \$14,683,000); Parent Entity \$2,615,000 (2010: \$14,683,000).

Refer to Note 23, Financial risk management, for the ageing analysis of receivables.

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

	Note	Consolidated		Parent	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
At 1 July		306	237	306	237
Provision for impairment recognised during the year		(2)	69	(2)	69
Receivables written off during the year		–	–	–	–
Amounts reversed during the year		–	–	–	–
At 30 June		304	306	304	306

Notes to the financial statements 30 June 2011 – cont.

Note 5 – Trade and other receivables – cont.

(b) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying value approximates their fair value. The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security. Refer to Note 23 Financial risk management 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 23, Financial risk management.

Note 6 – Inventories

	Note	Consolidated		Parent	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Stores and materials		856	856	856	856
Less provision for stock obsolescence		(856)	(831)	(856)	(831)
Total inventories		-	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 2011 amounted to \$25,000 (2010: 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	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Land					
Rail corridor land – at fair value		1,712,566	1,714,722	1,712,566	1,714,722
Non-rail corridor land – at fair value		1,313,572	1,315,144	1,313,572	1,315,144
Total land		3,026,138	3,029,866	3,026,138	3,029,866
Buildings and structures					
Buildings and structures – at net fair value – 30 June 2011		4,516,286	–	4,516,286	–
Allocation statement valuation		–	803,426	–	803,426
Accumulated depreciation		–	(213,498)	–	(213,498)
Carrying amount		–	589,928	–	589,928
Leasehold improvements/renewals		–	330,357	–	330,357
Accumulated depreciation		–	(36,889)	–	(36,889)
Carrying amount		–	293,468	–	293,468
Cost		–	101,933	–	101,933
Accumulated depreciation		–	(12,576)	–	(12,576)
Carrying amount		–	89,357	–	89,357
Total buildings and structures after depreciation		4,516,286	972,753	4,516,286	972,753
Track					
Track – at net fair value – 30 June 2011		5,852,998	–	5,852,998	–
Allocation statement valuation		–	871,074	–	871,074
Accumulated depreciation		–	(251,004)	–	(251,004)
Carrying amount		–	620,070	–	620,070
Leasehold improvements/renewals		–	1,175,840	–	1,175,840
Accumulated depreciation		–	(160,471)	–	(160,471)
Carrying amount		–	1,015,369	–	1,015,369
Cost		–	175,621	–	175,621
Accumulated depreciation		–	(48,679)	–	(48,679)
Carrying amount		–	126,942	–	126,942
Total track after depreciation		5,852,998	1,762,381	5,852,998	1,762,381

Notes to the financial statements 30 June 2011 – 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	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Signals and communication					
Signals and communications – at net fair value – 30 June 2011		3,045,125	–	3,045,125	–
Allocation statement valuation		–	376,860	–	376,860
Accumulated depreciation		–	(129,185)	–	(129,185)
Carrying amount		–	247,675	–	247,675
Leasehold improvements/renewals		–	559,178	–	559,178
Accumulated depreciation		–	(120,676)	–	(120,676)
Carrying amount		–	438,502	–	438,502
Cost		–	220,053	–	220,053
Accumulated depreciation		–	(46,904)	–	(46,904)
Carrying amount		–	173,149	–	173,149
Total Signals and communications after depreciation		3,045,125	859,326	3,045,125	859,326
Plant and equipment					
Plant and equipment – at net fair value – 30 June 2011		3,328,496	–	511,001	–
Allocation statement valuation		–	1,044,702	–	–
Accumulated depreciation		–	(322,343)	–	–
Carrying amount		–	722,359	–	–
Leasehold improvements/renewals		–	4,890	–	4,890
Accumulated depreciation		–	(2,764)	–	(2,764)
Carrying amount		–	2,126	–	2,126
Finance lease at cost		–	1,014,096	–	–
Accumulated depreciation		–	(216,401)	–	–
Carrying amount		–	797,695	–	–
Cost		–	134,097	–	134,097
Accumulated depreciation		–	(65,793)	–	(65,793)
Carrying amount		–	68,304	–	68,304
Total plant and equipment after depreciation		3,328,496	1,590,484	511,001	70,430

	Note	Consolidated		Parent	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Capital works in progress					
Leasehold improvements/renewals		1,094,147	1,376,749	1,094,147	1,376,749
Rolling stock under construction		385,216	573,366	–	–
Other		150,823	156,783	150,823	156,783
Capital works in progress		1,630,186	2,106,898	1,244,970	1,533,532
Total property, infrastructure, plant and equipment		21,399,229	10,321,708	18,196,518	8,228,288

	Land \$'000	Buildings & structures \$'000	Track \$'000	Signals & comms. \$'000	Plant & equipment \$'000	WIP \$'000	TOTAL \$'000
Consolidated 2011							
Carrying amount at 1 July 2010	3,029,866	972,753	1,762,381	859,326	1,590,484	2,106,898	10,321,708
Additions (*)	702	–	–	–	32,383	1,474,990	1,508,075
Disposals	(15,374)	–	(84,922)	–	(504)	(35,501)	(136,301)
Revaluation movement	–	3,239,182	3,521,136	2,042,207	1,198,529	–	10,001,054
Depreciation charge for the year	–	(35,403)	(83,489)	(63,398)	(113,017)	–	(295,307)
Transferred from WIP	10,944	339,754	737,892	206,990	620,621	(1,916,201)	–
Carrying amount at 30 June 2011	3,026,138	4,516,286	5,852,998	3,045,125	3,328,496	1,630,186	21,399,229
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 movement	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 amount at 30 June 2010	3,029,866	972,753	1,762,381	859,326	1,590,484	2,106,898	10,321,708

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

Notes to the financial statements 30 June 2011 – 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 2011							
Carrying amount at 1 July 2010	3,029,866	972,753	1,762,381	859,326	70,430	1,533,532	8,228,288
Additions (*)	702	–	–	–	1,257	1,259,762	1,261,721
Disposals	(15,374)	–	(84,922)	–	(504)	(35,501)	(136,301)
Revaluation movement	–	3,239,182	3,521,136	2,042,207	233,693	–	9,036,218
Depreciation charge for the year	–	(35,403)	(83,489)	(63,398)	(11,118)	–	(193,408)
Transferred from WIP	10,944	339,754	737,892	206,990	217,243	(1,512,823)	–
Carrying amount at 30 June 2011	3,026,138	4,516,286	5,852,998	3,045,125	511,001	1,244,970	18,196,518
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 movement	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 amount at 30 June 2010	3,029,866	972,753	1,762,381	859,326	70,430	1,533,532	8,228,288

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

(b) Carrying amounts if infrastructure assets were measured at cost less accumulated depreciation and impairment

	Buildings & structures \$'000	Track \$'000	Signals & comms. \$'000	Plant & equipment \$'000	TOTAL \$'000
Consolidated 2011					
Carrying amount at 1 July 2010	972,753	1,762,381	859,326	1,590,484	5,184,944
Additions (*)	–	–	–	32,383	32,383
Disposals	–	(84,922)	–	(504)	(85,426)
Depreciation charge for the year	(35,403)	(83,489)	(63,398)	(113,017)	(295,307)
Transferred from WIP	339,754	737,892	206,990	620,621	1,905,257
Net carrying amount	1,277,104	2,331,862	1,002,918	2,129,967	6,741,851
2010					
Carrying amount at 1 July 2009	882,032	1,718,818	855,222	1,537,722	4,993,794
Additions (*)	18,938	1,778	–	6,754	27,470
Disposals	–	–	–	(128)	(128)
Depreciation charge for the year	(30,991)	(63,102)	(52,692)	(101,454)	(248,239)
Transferred from WIP	102,774	104,887	56,796	147,590	412,047
Net carrying amount	972,753	1,762,381	859,326	1,590,484	5,184,944

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

Notes to the financial statements 30 June 2011 – cont.

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

Purpose group – Transportation and communications – cont.

(b) Carrying amounts if infrastructure assets were measured at cost less accumulated depreciation and impairment

	Buildings & structures \$'000	Track \$'000	Signals & comms. \$'000	Plant & equipment \$'000	TOTAL \$'000
Parent					
2011					
Carrying amount at 1 July 2010	972,753	1,762,381	859,326	70,430	3,664,890
Additions (*)	–	–	–	1,257	1,257
Disposals	–	(84,922)	–	(504)	(85,426)
Depreciation charge for the year	(35,403)	(83,489)	(63,398)	(11,118)	(193,408)
Transferred from WIP	339,754	737,892	206,990	217,243	1,501,879
Net carrying amount	1,277,104	2,331,862	1,002,918	277,308	4,889,192
2010					
Carrying amount at 1 July 2009	882,032	1,718,818	855,222	73,466	3,529,538
Additions (*)	18,938	1,778	–	723	21,439
Disposals	–	–	–	(128)	(128)
Depreciation charge for the year	(30,991)	(63,102)	(52,692)	(9,896)	(156,681)
Transferred from WIP	102,774	104,887	56,796	6,265	270,722
Net carrying amount	972,753	1,762,381	859,326	70,430	3,664,890

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

(c) Valuation of Land

Land is shown at fair value based on an independent valuation undertaken by the Valuer General Victoria as at 30 June 2010. Subsequent revaluations have been undertaken using indices based (where required) in accordance with FRD103D (Non Current Physical Assets).

(d) Valuation of Buildings and structures

At the direction of the Minister for Finance, and in line with Whole of Government reporting, VicTrack and its Consolidated Entities have adopted fair value for its buildings and structures assets. These assets were previously carried at historical cost. The 30 June 2011 valuation was determined by PricewaterhouseCoopers with the exception of the Melbourne Underground Rail Loop (MURL). The MURL valuation was performed by Aquenta Consulting Pty Ltd. The fair value was determined on the basis of depreciated replacement cost.

(e) Valuations of Track

At the direction of the Minister for Finance, and in line with Whole of Government reporting, VicTrack and its Consolidated Entities have adopted fair value for its track assets. These assets were previously carried at historical cost. The 30 June 2011 valuation was determined by PricewaterhouseCoopers in conjunction with RayLink Consulting Pty Ltd. The fair value was determined on the basis of depreciated replacement cost.

(f) Valuation of Signals and communications

At the direction of the Minister for Finance, and in line with Whole of Government reporting, VicTrack and its Consolidated Entities have adopted fair value for its signals and communications assets. These assets were previously carried at historical cost. The 30 June 2011 valuation was determined by PricewaterhouseCoopers. The fair value was determined on the basis of depreciated replacement cost.

(g) Valuation of Plant and equipment

At the direction of the Minister for Finance, and in line with Whole of Government reporting, VicTrack and its Consolidated Entities have adopted fair value for its plant and equipment assets. These assets were previously carried at historical cost. The 30 June 2011 valuation was determined by PricewaterhouseCoopers with the exception of the rolling stock. The valuation of the rolling stock was undertaken by Interfleet Technology Pty Ltd. The fair value was determined on the basis of depreciated replacement cost.

Note 8 – Trade and other payables

	Consolidated		Parent	
Note	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Trade and other payables	68,745	48,014	48,019	46,796
Total trade and other payables	68,745	48,014	48,019	46,796

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

Notes to the financial statements 30 June 2011 – cont.

Note 9 – Provisions

	Note	Consolidated		Parent	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Long service leave		4,644	4,670	4,644	4,670
Annual leave		2,077	2,241	2,077	2,241
Other employee benefits		793	597	793	597
		7,514	7,508	7,514	7,508
Reconciled by:					
CURRENT					
Long service leave (*)		4,314	4,440	4,314	4,440
Annual leave		2,077	2,241	2,077	2,241
Other employee benefits		793	597	793	597
		7,184	7,278	7,184	7,278
NON-CURRENT					
Long service leave		330	230	330	230
		330	230	330	230
Total provisions		7,514	7,508	7,514	7,508

(*) Expected long service leave payment in the next 12 months is \$305,000 (2010: \$313,000) and \$4,339,000 (2010: \$4,357,000) is to be paid beyond the next 12 months.

(a) Movement in provisions

Consolidated Entity and Parent Entity	Employee benefits \$'000	On-Costs \$'000	Total \$'000
Balance at 1 July 2010	6,481	1,027	7,508
Additional provision recognised	3,051	403	3,454
Reductions arising from payments	(3,019)	(453)	(3,472)
Movement resulting from re-measurement or settlement without cost	21	3	24
Balance at 30 June 2011	6,534	980	7,514

Note 10 – Borrowings

	Note	Consolidated		Parent	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Secured loan		326,461	348,086	–	–
Lease liability		740,231	779,422	1,405	1,064
		1,066,692	1,127,508	1,405	1,064
Reconciled by:					
CURRENT					
Secured loan		29,125	28,353	–	–
Lease liability		51,734	40,224	569	692
		80,859	68,577	569	692
NON-CURRENT					
Secured loan		297,335	319,733	–	–
Lease liability		688,497	739,198	836	372
		985,832	1,058,931	836	372
Total borrowings		1,066,692	1,127,508	1,405	1,064

(a) Fair value

The fair values of borrowings are disclosed in Note 23, Financial risk management.

(b) Secured liabilities and assets pledged as security

The lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

The loans in the Rolling Stock Holdings entities are secured by way of fixed charge over the amounts owing under the lease and construction agreements.

(c) Defaults and breaches

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

Notes to the financial statements 30 June 2011 – cont.

Note 11 – Equity and movements in equity – Consolidated Entity

Contributed capital

	Capital 1 July 2010 \$'000	Capital Returned \$'000	Additional Capital \$'000	Capital 30 June 2011 \$'000
Assets				
Inventory	205	–	–	205
Receivables	2,715	–	–	2,715
Land	1,054,045	–	–	1,054,045
Buildings and structures	888,708	–	–	888,708
Track	1,424,056	(120,413)	–	1,303,643
Signals and communications	653,018	–	–	653,018
Plant and equipment	124,634	(2,489)	–	122,145
Works in progress/other assets	2,604,926	–	1,267,606	3,872,532
Total assets	6,752,307	(122,902)	1,267,606	7,897,011
Liabilities				
Provision for employee benefits	(6,959)	–	–	(6,959)
Total liabilities	(6,959)	–	–	(6,959)
Contributed capital at the end of the year	6,745,348	(122,902)	1,267,606	7,890,052

	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

Note 11 – Equity and movements in equity – Parent Entity

Contributed capital

	Capital 1 July 2010 \$'000	Capital Returned \$'000	Additional Capital \$'000	Capital 30 June 2011 \$'000
Assets				
Inventory	205	–	–	205
Receivables	2,715	–	–	2,715
Land	1,054,045	–	–	1,054,045
Buildings and structures	888,708	–	–	888,708
Track	1,424,056	(120,413)	–	1,303,643
Signals and communications	653,018	–	–	653,018
Plant and equipment	118,603	(2,489)	–	116,114
Works in progress/other assets	1,773,662	–	1,012,596	2,786,258
Total assets	5,915,012	(122,902)	1,012,596	6,804,706
Liabilities				
Provision for employee benefits	(6,959)	–	–	(6,959)
Total liabilities	(6,959)	–	–	(6,959)
Contributed capital at the end of the year	5,908,053	(122,902)	1,012,596	6,797,747

	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	–	–	118,603
Works in progress/other assets	1,192,624	–	581,038	1,773,662
Total assets	5,314,558	–	600,454	5,915,012
Liabilities				
Provision for employee benefits	(6,959)	–	–	(6,959)
Total liabilities	(6,959)	–	–	(6,959)
Contributed capital at the end of the year	5,307,599	–	600,454	5,908,053

Notes to the financial statements 30 June 2011 – cont.

Note 12 – Asset revaluation reserve

	Note	Consolidated		Parent	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Balance at beginning of financial year		1,977,072	1,084,811	1,977,072	1,084,811
Revaluation increments/(decrements)		10,001,053	892,261	9,036,218	892,261
Adjustments, disposal & transferred out		(6,446)	–	20,169	–
Changes in physical asset revaluation surplus		9,994,607	892,261	9,056,387	892,261
Income tax on asset revaluation					
Income tax on physical asset revaluation surplus		(3,000,316)	–	(2,710,865)	–
Net increment after income tax		8,971,363	1,977,072	8,322,594	1,977,072

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

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

(a) Reconciliation of cash and cash equivalents

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

(b) Non-cash financing and investing facilities

The Consolidated Entity has no non-cash financing and investment facilities in place.

(c) Finance facilities

The Consolidated Entity does not have any unused credit facilities in place at 30 June 2011 (2010: 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:

	Note	Consolidated		Parent	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Net result for the period		(8,902)	(9,290)	19,476	18,458
Adjustments for:					
Depreciation/amortisation		295,307	248,239	193,408	156,681
Fair value adjustments		(2,087)	(2,348)	–	–
Loss/(profit) on sale of assets		(4,804)	5,186	(4,804)	5,186
Receipts recognised as contributed capital		223,409	303,275	–	–
Leasehold improvements/renewals received		(139,700)	(93,784)	(139,700)	(93,784)
Tax equivalent (expense)/benefit		(14,027)	(3,842)	(1,566)	(248)
Changes in assets/liabilities:					
(Increase)/decrease in receivables		10,752	10,981	10,752	11,486
Increase/(decrease) in other payables		1,591	16,873	1,568	12,416
Net cash flow provided by/(used in) operating activities		361,539	475,290	79,134	110,195

Notes to the financial statements 30 June 2011 – cont.

Note 14 – National tax equivalent regime

	Note	Consolidated		Parent	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
(a) Income tax					
Current income tax (expense)/benefit		20,385	9,619	5,827	3,580
Adjustment in respect of current income tax of previous years		6,408	–	6,408	–
Deferred income tax		(12,766)	(5,777)	(10,669)	(3,332)
Total Income tax (expense)/benefit		14,027	3,842	1,566	248
(b) Income tax reconciliation					
Accounting profit/(loss) before tax		(22,929)	(13,132)	17,910	18,210
Income tax (expense)/benefit at company tax rate of 30%		6,879	3,940	(5,373)	(5,461)
Non-allowable items		7,148	(98)	6,939	5,709
		14,027	3,842	1,566	248
(c) Deferred Income tax revenue/(expense) included in income tax expense					
(Increase)/decrease in deferred tax liabilities		845	(777)	(9,547)	(10,774)
Increase/(decrease) in deferred tax assets		(13,612)	(5,000)	(1,122)	7,442
		(12,766)	(5,777)	(10,669)	(3,332)
(d) Amounts charged directly to equity					
Retained profits					
Adjustment to prior year tax loss		(3,395)	–	(7,830)	–
Revaluation reserves					
Revaluations of plant and equipment		3,000,316	–	2,710,865	–

Note 14 – National tax equivalent regime – cont.

	Note	Consolidated		Parent	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Deferred tax assets					
The balance comprises temporary differences attributable to:					
Fair value on loan		2,635	3,265	–	–
Finance lease liability		222,069	233,827	421	320
Prepaid revenue		8,527	9,760	8,527	9,759
Accrued leave		2,254	2,252	2,254	2,252
Doubtful debts		91	92	91	92
Stock obsolescence		257	249	257	249
Losses available for offset		135,805	112,407	50,804	46,399
Total deferred tax assets		371,638	361,852	62,355	59,071
Deferred tax liabilities					
The balance comprises temporary differences attributable to:					
Revaluation of plant and equipment		(3,000,316)	–	(2,710,865)	–
Accelerated depreciation		(295,249)	(285,507)	(295,250)	(285,507)
Finance lease assets		(229,178)	(239,628)	(125)	(318)
Interest receivable		(5)	(7)	(5)	(7)
Fair value of loan		(52)	(187)	–	–
Total deferred tax liabilities		(3,524,800)	(525,329)	(3,006,245)	(285,832)
Net deferred tax assets/(liabilities)		(3,153,160)	(163,477)	(2,943,890)	(226,761)
Movement in deferred tax assets/(liabilities)					
Opening balance		(163,477)	(167,318)	(226,761)	(227,005)
Charged to income tax expense		(12,766)	(5,777)	(10,669)	(3,332)
Charged to equity		(3,000,316)	–	(2,710,865)	–
Movement in tax losses		23,398	9,618	4,405	3,576
Closing balance		3,153,162	163,477	2,943,890	226,761

Notes to the financial statements 30 June 2011 – cont.

Note 15 – Employee superannuation funds

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

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

The number of employees as at 30 June 2011 was 266 (2010:241).

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

Superannuation fund (*)	30 June 2011	Contributions	30 June 2010	Contributions
	Contributions	Outstanding as at 30 June 2011	Contributions	outstanding as at 30 June 2010
	\$'000	\$'000	\$'000	\$'000
Transport Superannuation Scheme	326	37	294	28
State Superannuation Scheme	309	32	291	22
VicSuper Scheme	810	95	692	56
Other	843	145	524	47
	2,288	309	1,801	153

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

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

Note 16 – Capital commitments

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Within one year	140,588	145,808	14,134	17,232
One year or later and not later than five years	319,785	136,766	–	–
Total capital commitments	460,373	282,574	14,134	17,232

The Consolidated Entity has entered into contracts for the supply and manufacture of new passenger trains. As at 30 June 2011, \$385 million (2010: \$573 million) is recorded as works in progress for these assets.

Note 17 – Lease commitments

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Operating leases				
Within one year	1,259	1,201	1,259	1,201
Later than one year but not later than five years	4,478	3,051	4,478	3,051
Total operating lease commitments	5,737	4,252	5,737	4,252

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

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Finance leases				
Within one year	128,384	146,643	569	692
Later that one year but not later than five years	605,891	803,137	836	372
Later than five years	497,870	400,889	–	–
Minimum finance lease payments	1,232,145	1,350,669	1,405	1,064
Less:				
Recoverable GST	(111,885)	(122,691)	–	–
Future finance lease charges	(380,028)	(448,556)	–	–
Present value of minimum finance lease payments	740,232	779,422	1,405	1,064

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 per cent.

Note 18 – Investments

Subsidiaries

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

	Country of incorporation	Percentage of equity interest held by the Consolidated Entity	
		2011	2010
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%

Notes to the financial statements 30 June 2011 – cont.

Note 19 – 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 does not have a present obligation (legal or constructive) as a result of a past event and is unable to reliably estimate future expenditure levels that are expected to be required to address environmental issues, including remediation activities. Due to the absence of a present obligation and the uncertainty regarding the actual quantum of expenditure, no provision for these costs has been included in the financial statements.

Indemnities

Infrastructure leases with the Director of Public Transport (DPT)

The Consolidated Entity has entered into a number of leases with the 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 allegedly 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), Hobson's Bay City 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 20 – Ministers, the Board of Directors and Accountable Officer

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

Responsible Minister:

- > The Hon Martin Pakula MP, Minister for Public Transport (July to December 2010)
- > The Hon John Lenders MP, Treasurer (July to December 2010)
- > The Hon Terry Mulder MP, Minister for Public Transport (December 2010 to June 2011)
- > The Hon Kim Wells MP, Treasurer (December 2010 to June 2011)

Directors of the Board:

- > Dr Bruce Cohen
- > Mr Chris Lovell
- > Ms Jenny Roche
- > Ms Sam Andersen (appointed 1 July 2010)
- > Mr James Cain (retired 12 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	
	2011 No.	2010 No.	2011 No.	2010 No.
\$0 to \$9,999	–	1	–	1
\$20,000 to \$29,999	–	2	–	2
\$30,000 to \$39,999	3	1	3	1
\$40,000 to \$49,999	–	1	–	1
\$50,000 to \$59,999	–	1	–	1
\$60,000 to \$69,999	1	–	1	–
\$370,000 to \$379,999	–	1	–	1
\$410,000 to \$419,999	1	–	1	–

Total Remuneration of Responsible Persons: \$590,376 (2010: \$559,145)

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 2011 included the total salary package received during the year, a performance bonus relating to the 30 June 2011 year as well as long service leave payments. The Accountable Officer's remuneration for the 30 June 2010 year included the total salary package received during the year as well as a performance bonus relating to the 30 June 2010 year. No long service leave was paid for the year ended 30 June 2010.

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

Notes to the financial statements 30 June 2011 – cont.

Note 21 – Executive Officers’ Remuneration

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

Income Band	Total remuneration		Base remuneration	
	2011 no.	2010 no.	2011 no.	2010 no.
<\$100,000	2	3	2	3
\$100,000 – \$109,999	–	–	–	1
\$110,000 – \$119,999	–	1	–	–
\$140,000 – \$149,999	–	–	–	3
\$150,000 – \$159,999	2	3	2	3
\$160,000 – \$169,999	–	2	5	–
\$170,000 – \$179,999	5	2	–	1
\$180,000 – \$189,999	–	–	3	–
\$190,000 – \$199,999	2	–	2	–
\$200,000 – \$209,999	1	–	–	2
\$210,000 – \$219,999	1	–	1	2
\$220,000 – \$229,999	1	2	1	–
\$230,000 – \$239,999	–	1	–	–
\$240,000 – \$249,999	1	1	–	–
\$250,000 – \$259,999	1	–	–	–
Total numbers	16	15	16	15
Total amount	\$2,855,082	\$2,378,607	\$2,618,525	\$2,166,967

The Executive Officers’ remuneration for the years ended 30 June 2010 and 30 June 2011 include the total salary package received during the year as well as performance bonuses relating to the years ended 30 June 2010 and 30 June 2011 respectively.

Note 22 – Remuneration of auditors

	Consolidated		Parent	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Audit fees paid or payable to the Victorian Auditor-General’s Office for the audit of the financial statements:				
Paid as at 30 June	–	–	–	–
Payable as at 30 June	135	164	81	108
Total financial statement audit	135	164	81	108
Other assurance related services:				
Paid as at 30 June	–	–	–	–
Payable as at 30 June	100	–	85	–
Total asset fair value audit	100	–	85	–

Note 23 – 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 2011						
Contractual financial assets						
Cash	–	–	5,177	–	–	5,177
Other financial assets	–	–	43,479	–	–	43,479
Trade and other receivables	–	–	26,493	–	–	26,493
Total contractual financial assets	–	–	75,149	–	–	75,149
Contractual financial liabilities						
Trade and other payables	–	–	–	–	68,745	68,745
Secured loan	–	–	–	–	326,461	326,461
Lease liability	–	–	–	–	740,231	740,231
Total contractual liabilities	–	–	–	–	1,135,437	1,135,437
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

Notes to the financial statements 30 June 2011 – cont.

Note 23 – Financial risk management – cont.

Categorisation of financial instruments – cont.

	Contractual financial assets or liabilities designated at fair value through profit/loss \$'000	Contractual financial assets or liabilities held for trading at fair value through profit/loss \$'000	Contractual financial assets – loans and receivables \$'000	Contractual financial assets available- for-sale \$'000	Contractual financial liabilities at amortised cost \$'000	Total \$'000
Parent 2011						
Contractual financial assets						
Cash	–	–	3,405	–	–	3,405
Other financial assets	–	–	43,379	–	–	43,379
Trade and other receivables	–	–	153,224	–	–	153,224
Total contractual financial assets	–	–	200,008	–	–	200,008
Contractual financial liabilities						
Trade and other payables	–	–	–	–	48,019	48,019
Secured loan	–	–	–	–	–	–
Lease liability	–	–	–	–	1,405	1,405
Total contractual liabilities	–	–	–	–	49,424	49,424
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

Note 23 – 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					
2011					
Contractual financial assets					
Financial assets designated at fair value through profit/loss	-	-	-	-	-
Financial assets – loans and receivables	-	2,676	-	(304)	2,372
Financial assets available-for-sale recognised in net result	-	-	-	-	-
Financial assets available-for-sale recognised in other comprehensive result	-	-	-	-	-
Total contractual financial assets		2,676		(304)	2,372
Contractual financial liabilities					
Financial liabilities at amortised cost	-	-	-	-	-
Financial liabilities designated at fair value through profit/loss	-	-	-	-	-
Total contractual liabilities		-		-	-
2010					
Contractual financial assets					
Financial assets designated at fair value through profit/loss	-	-	-	-	-
Financial assets – loans and receivables	-	1,047	-	(306)	741
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		-		-	-

Notes to the financial statements 30 June 2011 – cont.

Note 23 – Financial risk management – cont.

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

	Net holding gain/(loss) \$'000	Total interest income/ (expense) \$'000	Fee income/ (expense) \$'000	Impairment loss \$'000	Total \$'000
Parent					
2011					
Contractual financial assets					
Financial assets designated at fair value through profit/loss	-	-	-	-	-
Financial assets – loans and receivables	-	2,546	-	(304)	2,242
Financial assets available-for-sale recognised in net result	-	-	-	-	-
Financial assets available-for-sale recognised in other comprehensive result	-	-	-	-	-
Total contractual financial assets	-	2,546	-	(304)	2,242
Contractual financial liabilities					
Financial liabilities at amortised cost	-	-	-	-	-
Financial liabilities designated at fair value through profit/loss	-	-	-	-	-
Total contractual liabilities	-	-	-	-	-
2010					
Contractual financial assets					
Financial assets designated at fair value through profit/loss	-	-	-	-	-
Financial assets – loans and receivables	-	1,001	-	(306)	695
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	-	-	-	-	-

The net holding gains or losses 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 uses. Minimisation of risk is achieved by undertaking short-term interest bearing financial assets with Treasury Corporation of Victoria and established financial institutions.

Exposure to interest rate risk on liabilities is through the loan borrowing 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 2011 was 3.94 per cent (2010: 2.84 per cent). 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 per cent (2010: 5.15 per cent). Interest income earned on investments is variable. For the year ended 30 June 2011, the Consolidated Entity had interest bearing investments with a weighted average interest rate of 4.87 per cent (2010: 3.87 per cent).

(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.

Notes to the financial statements 30 June 2011 – cont.

Note 23 – Financial risk management – cont.

(a) Market risk – cont.

(iii) Interest rate risk

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

Interest rate exposure of financial instruments

	Weighted average effective interest rate %	Carrying amount \$'000	Fixed interest rate \$'000	Variable interest rate \$'000	Non-interest bearing \$'000
Consolidated 2011					
Financial assets					
Cash assets	3.94	5,177	–	5,106	71
Other financial assets	4.87	43,479	100	43,379	–
Trade and other receivables	–	26,493	–	–	26,493
Total financial assets		75,149	100	48,485	26,564
Financial liabilities					
Trade and other payables	–	68,745	–	–	68,745
Secured loan	5.37-6.59	326,461	326,461	–	–
Finance lease	10.14	740,231	738,826	1,405	–
Total financial liabilities		1,135,438	1,065,287	1,405	68,745
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

(a) Market risk – *cont.*

(iii) Interest rate risk – *cont.*

	Weighted average effective interest rate %	Carrying amount \$'000	Fixed interest rate \$'000	Variable interest rate \$'000	Non-interest bearing \$'000
Parent					
2011					
Financial assets					
Cash assets	3.64	3,405	–	3,405	–
Other financial assets	4.87	43,379	–	43,379	–
Trade and other receivables	–	153,224	–	–	153,224
Total financial assets		200,008	–	46,784	153,224
Financial liabilities					
Trade and other payables	–	48,019	–	–	–
Secured loan	–	–	–	–	–
Finance lease	6.59	1,405	–	1,405	–
Total financial liabilities		49,424	–	1,405	–
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

Notes to the financial statements 30 June 2011 – cont.

Note 23 – Financial risk management – cont.

(b) Credit risk

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

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

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

The Consolidated Entity's credit exposure in the real estate industry is characterised by a large and diverse range of lessees and licensees. The Consolidated Entity holds bond amounts as security over rent and other 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.

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. All receivables are non-default customers which have been customers of VicTrack for more than one year.

All receivables are non-default customers which have been customers of VicTrack for more than one year.

	Financial institutions (AAA credit rating) \$'000	Government agencies (AAA credit rating) \$'000	Total \$'000
2011			
Consolidated			
Cash and cash equivalents	5,177	–	5,177
Other financial assets	–	43,479	43,479
	5,177	43,379	48,656
Parent			
Cash and cash equivalents	3,405	–	3,405
Other financial assets	–	43,379	43,379
	3,405	43,379	46,784
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

(b) Credit risk – cont.

Ageing analysis of contractual financial assets

	Carrying amount \$'000	Not past due and not impaired \$'000	Past due but not impaired			Impaired financial assets \$'000
			31-90 days \$'000	91-180 days \$'000	Over 180 days \$'000	
2011						
Consolidated						
Cash and cash equivalents	5,177	5,177	–	–	–	–
Other financial assets	43,479	43,379	–	–	100	–
Trade and other receivables	26,493	23,571	2,057	353	512	(304)
	75,149	72,127	2,057	353	612	(304)
Parent						
Cash and cash equivalents	3,405	3,405	–	–	–	–
Other financial assets	43,379	43,379	–	–	–	–
Trade and other receivables	153,224	150,302	2,057	353	512	(304)
	200,008	197,086	2,057	353	512	(304)
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)

(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 30 days from date of invoice. To minimise the exposure of liquidity risk the Consolidated Entity has a short-term cash management investment policy allowing for adequate holding of high quality liquid assets to meet future cash flows. Notwithstanding the deficiency in the net current assets of \$79.1 million (2010: \$43.4 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 the financial statements 30 June 2011 – cont.

Note 23 – 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 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000	Carrying amount \$'000
2011					
Consolidated					
Liquid financial assets					
Cash and cash equivalents	5,177	–	–	5,177	5,177
Other financial assets	43,479	–	–	43,479	43,479
	48,656	–	–	48,656	48,656
Financial liabilities					
Trade and other payables	68,745	–	–	68,745	68,745
Due to related parties					
Secured loans	29,125	155,006	142,329	326,460	326,460
Finance leases	51,734	292,247	396,250	740,231	740,231
	149,604	447,253	538,579	1,135,438	1,135,438
Net inflow/(outflow)	(100,948)	(447,253)	(538,579)	(1,086,782)	(1,086,782)
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)

(d) Maturity of financial assets/liabilities – cont.

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 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000	Carrying amount \$'000
2011					
Parent					
Liquid financial assets					
Cash and cash equivalents	3,405	–	–	3,405	3,405
Other financial assets	43,379	–	–	43,379	43,379
	46,784	–	–	46,784	46,784
Financial liabilities					
Trade and other payables	48,019	–	–	48,019	48,019
Due to related parties					
Secured loans	–	–	–	–	–
Finance leases	569	836	–	1,405	1,405
	48,588	836	–	49,424	49,424
Net inflow/(outflow)	(1,804)	(836)	–	(2,640)	(2,640)
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)

Notes to the financial statements 30 June 2011 – cont.

Note 23 – 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 the preceding 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 100 basis points down (2010: 100 basis points up and 100 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

Taking into account past performance, future expectations, economic forecasts, and VicTrack's knowledge it is reasonable to believe the following movements are possible over the next 12 months:

	Carrying amount subject to interest \$'000	Interest rate risk			
		-1.0%		+ 1.0%	
Market risk exposure		Net result \$'000	Revaluation reserve \$'000	Net result \$'000	Revaluation reserve \$'000
2011					
Financial assets:					
Cash and cash equivalents	5,106	(60)	–	60	–
Other financial assets	43,479	(501)	–	501	–
Trade and other receivables	26,493	–	–	–	–
Financial liabilities:					
Trade and other payables	68,745	–	–	–	–
Interest-bearing loans and borrowings	1,066,692	–	–	–	–
Total increase/(decrease)		(561)	–	561	–
2010					
Financial assets:					
Cash and cash equivalents	4,466	(54)	–	54	–
Other financial assets	36,185	(231)	–	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)		(285)	–	285	–

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

Taking into account past performance, future expectations, economic forecasts, and VicTrack's knowledge it is reasonable to believe the following movements are possible over the next 12 months:

	Carrying amount subject to interest \$'000	Interest rate risk		Net result \$'000	Revaluation reserve \$'000
		-1.0%	+1.0%		
Market risk exposure					
2011					
Financial assets:					
Cash and cash equivalents	3,405	(30)	–	30	–
Other financial assets	43,379	(501)	–	501	–
Trade and other receivables	153,224	–	–	–	–
Financial liabilities:					
Trade and other payables	48,019	–	–	–	–
Interest-bearing loans and borrowings	1,405	–	–	–	–
Total increase/(decrease)		(531)		531	
2010					
Financial assets:					
Cash and cash equivalents	2,619	(41)	–	41	–
Other financial assets	36,085	(231)	–	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)		(272)		272	

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

Notes to the financial statements 30 June 2011 – cont.

Note 23 – Financial Risk Management – cont.

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:

Consolidated	2011		2010	
	Carrying amount \$'000	Net fair value \$'000	Carrying amount \$'000	Net fair value \$'000
Financial assets				
Cash assets	5,177	5,177	4,466	4,466
Other financial assets	43,479	43,479	36,185	36,185
Trade and other receivables	26,493	26,493	37,543	37,543
Total financial assets	75,149	75,149	78,194	78,194
Financial liabilities				
Trade and other payables	(68,745)	(68,745)	(48,014)	(48,014)
Borrowings	(1,066,692)	(992,141)	(1,127,508)	(1,119,946)
Total financial liabilities	(1,135,437)	(1,060,886)	(1,175,522)	(1,167,960)
Net financial assets	(1,060,288)	(985,737)	(1,097,328)	(1,089,766)

Parent	2011		2010	
	Carrying amount \$'000	Net fair value \$'000	Carrying amount \$'000	Net fair value \$'000
Financial assets				
Cash assets	3,405	3,405	2,619	2,619
Other financial assets	43,379	43,379	36,085	36,085
Trade and other receivables	153,224	153,224	164,169	164,169
Total financial assets	200,008	200,008	202,873	202,873
Financial liabilities				
Trade and other payables	(48,019)	(48,019)	(46,796)	(46,796)
Borrowings	(1,405)	(1,405)	(1,064)	(1,064)
Total financial liabilities	(49,424)	(49,424)	(47,860)	(47,860)
Net financial assets	150,584	150,584	155,013	155,013

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

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.

Note 24 – Subsequent events

The Hon Matthew Guy MP, Minister for Planning, has announced a revitalisation project for Central Wodonga. The project is to be delivered by the new Urban Renewal Authority (URA). As part of this project VicTrack will be required to transfer some of its landholdings to the Urban Renewal Authority subsequent to the current reporting period. Negotiations between URA and VicTrack regarding the transfer of land and any intellectual property have not yet commenced and the financial impact can not be estimated at this stage.

Disclosure index

VicTrack's Annual Report is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of VicTrack's compliance with statutory disclosure requirements.

Legislation	Requirement	Page Reference
Ministerial Directions		
Report of Operations – FRD Guidance		
Charter and purpose		
FRD 22B	Manner of establishment and the relevant Ministers	2
FRD 22B	Objectives, functions, powers and duties	2
FRD 22B	Nature and range of services provided	4
Management and structure		
FRD 22B	Organisational structure	80
Financial and other information		
FRD 22B	Operational and budgetary objectives and performance against objectives	13
FRD 22B	Employment and conduct principles	3, 81
FRD 22B	Occupational health and safety policy	3
FRD 29	Workforce Data disclosures	80
FRD 15B	Executive officer disclosures	60
FRD 22B	Summary of the financial results for the year	13
FRD 22B	Significant changes in financial position during the year	13
FRD 22B	Major changes or factors affecting performance	13-14
FRD 22B	Subsequent events	24
FRD 22B	Application and operation of <i>Freedom of Information Act 1982</i>	11
FRD 22B	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	11
FRD 22B	Statement on National Competition Policy	12
FRD 22B	Application and operation of the <i>Whistleblowers Protection Act 2001</i>	12
FRD 25	Victorian Industry Participation Policy disclosures	12
FRD 22B	Details of consultancies over \$100 000	11
FRD 22B	Details of consultancies under \$100 000	11
FRD 12A	Disclosure of major contracts	N/A
FRD 24C	Reporting of office-based environmental impacts	N/A
FRD 22B	Statement of availability of other information	11
FRD 10	Disclosure index	76
FRD 8A	Budget portfolio outcomes	N/A

Legislation	Requirement	Page Reference
Financial Report		
Financial statements required under Part 7 of the FMA		
SD4.2(f)	Compliance with Model Financial Report	23
SD4.2(b)	Operating Statement	18
SD4.2(b)	Balance Sheet	19
SD4.2(a)	Statement of Changes in Equity	20-21
SD4.2(b)	Cash flow Statement	22
SD4.2(c)	Compliance with Australian accounting standards and other authoritative pronouncements	23
SD4.2(c)	Compliance with Ministerial Directions	23
SD4.2(d)	Rounding of amounts	13
SD4.2(c)	Accountable Officer's declaration	17
Other disclosures in notes to the financial statements		
FRD 13	Disclosure of parliamentary appropriations	N/A
FRD 9A	Departmental disclosure of administered assets and liabilities	N/A
FRD 11	Disclosure of exgratia payments	N/A
FRD 21A	Responsible person and executive officer disclosures	59
Legislation		
<i>Freedom of Information Act 1982</i>		11
<i>Building Act 1983</i>		11
<i>Whistleblowers Protection Act 2001</i>		12
<i>Victorian Industry Participation Policy Act 2003</i>		12
<i>Financial Management Act 1994</i>		23
<i>Multicultural Victoria Act 2004</i>		81

Appendices

Crossing upgrades 2010–11

Level and Pedestrian Crossing Upgrade and Active Advanced Warning System (AAWS) Programs 2010–11

Location	Treatment	
Bittern, Urquhart Crescent	Flashing Lights to Boom Barriers	1
Buangor, Yerabbin Road	Passive to Boom Barriers	1
Colac, Sinclair Street	DDA Compliance	1
Congupna, Katamatite-Shepparton Road	Flashing Lights to Boom Barriers	1
Crib Point, Disney Street	Flashing Lights to Boom Barriers	1
Dobie, Langi Ghiran Picnic Ground	Passive to Boom Barriers	1
Euroa, Birkett Street	Flashing Lights to Boom Barriers	3
Heywood, Mt Clay Road	DDA Compliance	2
HMAS Cerberus, Main Entrance	Flashing Lights to Boom Barriers	1
HMAS Cerberus, Main Entrance	DDA Compliance	1
Rosanna, Up end of Platform	Maze to Active Pedestrian Gates	1
Sebastian, Bridgewater-Sebastian Road	Passive to Boom Barriers	1
Sebastian, Sebastian Road (Main Street)	Passive to Boom Barriers	1
Shepparton, High Street ⁽¹⁾	DDA Compliance	1
Shepparton, High Street ⁽²⁾	DDA Compliance	1
Shepparton, Hayes Street	Flashing Lights to Boom Barriers	1
Shepparton, Knight Street	Flashing Lights to Boom Barriers	1
Shepparton, New Dookie Road	Flashing Lights to Boom Barriers	1
Shepparton, Wheeler Street	Flashing Lights to Boom Barriers	1
Somerville, Bungower Road	Flashing Lights to Boom Barriers	1
Somerville, Park Lane	Flashing Lights to Boom Barriers	1
Somerville, Bungower Road	DDA compliance	2
Somerville, Park Lane	DDA Compliance (by providing street lighting and signage)	1
Willaura, Delacombe Way	DDA Compliance	2
Woodend, Tylden-Woodend Road	AAWS installed to existing Boom Barriers	1

Notes:

(1) Upgrades on behalf of Department of Transport

(2) Upgraded on behalf of local government

(3) Upgraded by ARTC

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 four independent, non-executive Directors – Bruce Cohen (Chair), Chris Lovell (Deputy Chair), Jenny Roche and Sam Andersen.

Bruce Cohen – PhD, MComm (Hons), LLB (Hons) *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. He is 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. He is an Honorary Fellow of the Grattan Institute.

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 resigned as Chair of the VicTrack Audit and Risk Management Committee on 9 August 2010 and remains a member of that Committee. He is the Chair of the Property and Environment Committee and the Heritage Advisory Panel. Chris is the National Managing Partner of law firm, Holding Redlich, and practices in funds management and on large-scale property projects. He is a trustee of the MCG Trust and Chair of the Australian Communities Foundation Limited. Chris is a Director of Clemenger Communications Group Limited.

Jenny Roche – BComm (Melb) GDip MMT *Director*

Jenny Roche was appointed a Director of VicTrack in March 2010. She is the Chair of the Telecommunications Committee and is a member of the Property and Environment 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 was formerly a director of Mobile Mentor Australia.

Sam Andersen – LLB, CPA *Director*

Sam Andersen was appointed a Director of VicTrack on 1 July 2010 and Chair of the VicTrack Audit and Risk Management Committee on 9 August 2010. Previously she was a member of the Audit and Risk Management Committee, appointed in October 2005. Sam is a Director and Chair of the Audit and Risk Management Committee for both the Rural Finance Corporation and the Grain Growers Association Limited. Recently she was appointed Director and Chair of the Audit Committee of Anteo Diagnostics Limited. She has held senior 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 and Multi-Emedia.com Ltd.

James Cain – BPD (Melb), BBIEdg (Melb), MBA (AGSM)

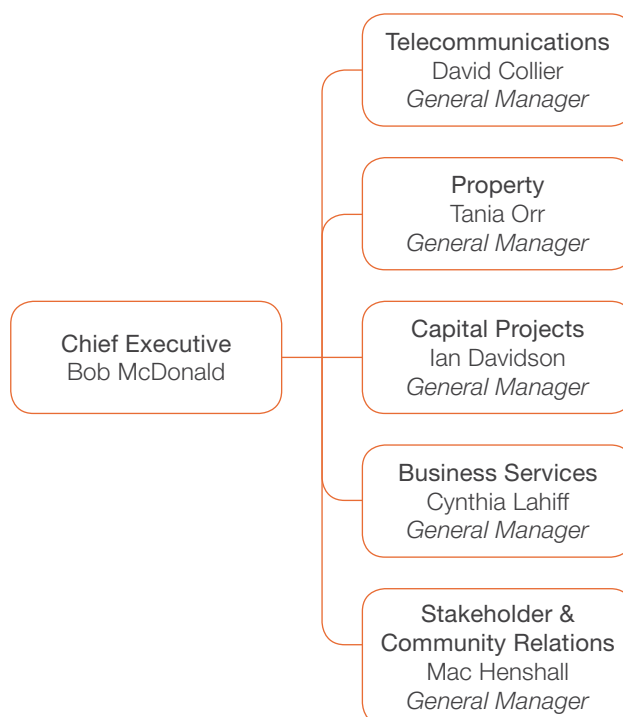
James Cain resigned as a Director on 12 July 2010.

Executive team and organisational structure

The organisational structure as at 30 June 2011.

Staff numbers

As at 30 June 2011	Total	Male	Female
All staff	318	245	73
Full-time staff	253	191	62
Part-time staff	13	2	11
Fixed-term temporary staff	52	46	6
Casual staff	0	0	0
By age group			
Under 25 years	5	3	2
25 – 34	75	46	29
35 – 44	89	73	16
45 – 54	94	76	18
55 – 64	50	42	8
65 +	5	5	0



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 diverse 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 that identifies our strategic goals to achieve our social, economic and environmental responsibilities.

Authorised and produced by:

VicTrack
GPO Box 1681
Melbourne VIC 3001

© VicTrack August 2011

If you would like to receive this publication in an accessible format, please telephone VicTrack on 03 9619 1111.

Printed by On Demand,
323 Williamstown Road, Port Melbourne VIC 3207

Designed by Department of Transport Design Team

ISSN 1839-3624



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