VicTrack
Annual Report 2011-12

State Government Victoria

Letter to Ministers

11 August 2012

The Hon Terry Mulder MP
Minister for Public Transport
Level 16, 121 Exhibition St
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 1 July 2011 to 30 June 2012 for your presentation to Parliament.

Yours sincerely

Bob Annells
Chair

Contents

Cover: Dynon Rail Freight Terminal.

Part One > About VicTrack

VicTrack – a snapshot

VicTrack is a state-owned business enterprise that plays a pivotal role supporting the Victorian Government to provide better public transport outcomes without relying on government funding.

VicTrack's core functions are to deliver telecommunications to support the operation of public transport, to be the custodian of land set aside for transport purposes and to support rail freight by managing an important open access terminal in Melbourne.

With strong support across the Victorian Government, VicTrack has proactively extended its telecommunications infrastructure to provide much needed broadband and other IT services to the wider government sector. This has also increased VicTrack's revenue base.

The revenue generated through VicTrack's commercial activities funds its operations and projects and the large financial obligations that come with its extensive land and telecommunications assets.

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

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

VicTrack is the custodial owner of not only Victoria's railway land, but its infrastructure and much of its rolling stock. Almost all these assets are leased to Victoria's rail and tram operators via Public Transport Victoria (PTV). The operators are responsible for managing the assets and delivering public transport or rail freight services.

Created in 1997, VicTrack 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*.

VicTrack works closely with PTV, the Department of Transport (DoT), the Department of Treasury and Finance (DTF), public transport franchisees, the Department of Business and Innovation (DBI), telecommunications carriers, VicRoads, local councils and a broad range of other stakeholders and community groups.

Gertrude Street Tram Engine Shed

Part One > About VicTrack

Chair's Report

VicTrack was established with a narrow remit to be the custodian of land set aside for transport purposes and to provide the telecommunications capacity associated with the operations of most of the public transport network.

The assumption has always been that the funds raised through managing the extensive property assets vested in VicTrack, including the sale of surplus land, together with funds generated through telecommunication activities would enable VicTrack to operate in a financially self-sufficient manner.

To date VicTrack has been able to meet the original objective of not requiring funding via the State Budget but to do so it has needed to expand the range of its commercial activities and their scope over recent years.

During the year VicTrack pursued with vigour its mandate to provide public transport outcomes without relying on government funding, resulting in a range of projects exceeding targets.

VicTrack upgraded 40 level and pedestrian crossings, above Victorian Government objectives, while budget savings on the Bridge Renewal Program allowed for two extra bridges to be refurbished, making a total of five.

VicTrack's telecommunications network is a critical infrastructure asset for the State and an essential service for all Victorians, without which rail services could not operate. Work continued with the Department of Transport, Public Transport Victoria and Victoria's train and tram operators on a range of technology projects to improve the reliability, safety and accessibility of public transport.

In particular, the roll-out of fibre and power to all 116 sub-stations on the metropolitan rail network was substantially completed, enabling Metro Trains Melbourne to more effectively monitor and control power outages and faults.

And a modern digital Regional Rail Communications Network (RRCN) will replace an out-dated system following scoping and procurement work undertaken by VicTrack on behalf of V/Line.

VicTrack has however gone much further than simply transport-related projects and has proactively sought to use the infrastructure under its control to deliver a range of government telecommunications outcomes that provide not only much needed telecommunications services to the wider government sphere, but also broaden VicTrack's revenue generating capacity.

Supporting the provision of better broadband services to the Victorian Government, fibre was laid from the Hume Highway to railway stations in Wangaratta, Benalla and Seymour, enabling the Goulburn Ovens TAFE campuses to be connected to the TAFE Broadband Network.

VicTrack also has an increasingly vital role to play in generating economic activity and jobs by partnering with the private sector to improve station precincts. The important strategic goal of building vibrant communities around station precincts is reflected in the Glen Waverley IKON precinct project, a partnership with Consolidated Properties.

The $70 million complex will create a new connected community where housing, business and retail come together.

VicTrack, as the owner of land and air rights within the public transport network and with considerable property development expertise, is the natural agency to progress similar station enhancement projects across metropolitan Melbourne.

VicTrack also has a key role in the promotion of rail freight as an Accredited Rail Operator and access provider for rail operators at the Dynon Rail Freight Terminal. Work progressed on the $8.4 million project to renew the central hardstand at the Dynon Rail Freight Terminal, part of the strategy to develop the terminal's capacity to accommodate growth.

Part One > About VicTrack

Chair's Report (continued)

VicTrack is second only to the Crown as the largest landholder in Victoria and seeks to proactively manage this substantial resource while also dealing with the extensive legacy of contamination from an accumulation of more than 100 years of use.

In the past year 68 asbestos audits and remediation works were completed on VicTrack properties, alongside work with Landcare groups to monitor and increase biodiversity on rail land.

As an agency working intensively in the rail environment it was pleasing there were no lost time injuries over the past year. A priority is to roll out a Health and Safety Strategy during 2012-13 to give greater focus and impetus to our efforts in providing a safe workplace.

Protecting rail heritage remains a strong commitment. This year a $1.3 million restoration of the Maryborough Railway Station verandah, funded jointly by the Department of Transport and VicTrack, was completed using plans approved by Heritage Victoria.

The experience and diligence of VicTrack's Board of Directors has contributed significantly to the organisation's achievements. I extend special thanks to my predecessor Bruce Cohen and Deputy Chair Chris Lovell.

My thanks also go to the current Board members Sam Andersen, Brian Bullus, David Hunter, Jenny Roche and Deputy Chair Yehudi Blacher. VicTrack is fortunate to have Directors of their calibre and commitment on the Board. I also thank Tony Shepherd for his significant contribution to the Board.

I would also like to thank the Minister for Public Transport, Terry Mulder, for his continued strong support and engagement with VicTrack's mission.

The commitment and enthusiasm of VicTrack staff deserves particular acknowledgement. They have delivered impressive results, enabling VicTrack to make a more valuable contribution across the broad spectrum of its activities.

Bob Annells
Chair

Part One > About VicTrack

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 PTV to deliver critical communications projects

> leveraging surplus network capacity to improve broadband access for the government sector.

Property

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

> business, community and other leasing

> transport-oriented projects that 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 PTV 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 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 2011–12

> The roll-out of fibre to all 116 electrical sub-stations on the metropolitan rail network was completed as part of the Electrol Supervisory Control and Data Acquisition (SCADA) project, which enables Metro Trains Melbourne to more effectively monitor and control power outages and faults than the previous ageing traction power SCADA system.

> A 10MB bandwidth wide area network upgrade to all stations on the metropolitan Melbourne network was completed successfully, improving connection speed and coverage. The network has capability for a further upgrade to 100MB or 1G.

> Work is progressing on an $8.4 million project to renew the central hardstand at the Dynon Rail Freight Terminal. An additional $500,000 is being spent on building a new electrical sub-station that will replace and future-proof power supplies.

Completion is expected in early 2013. The project will secure use of the hardstand for container handling and storage for the long-term and increase the capacity and efficiency of freight through the terminal.

> VicTrack has an integral role as land manager and telecommunications provider for the $4.3 billion Regional Rail Link (RRL) project funded jointly by the Victorian and Commonwealth Governments. The VicTrack RRL project team reached full strength and actively supported each work package within the main RRL project.

A key activity was completion of the following works:

- relocations of existing telecommunications assets
- fit-out of four signal equipment rooms
- design reviews and approvals of telecommunications routes and construction standards
- installation of copper and fibre optic cables
- supervision of installations and network protection activities
- provision of managed services
- design and implementation of radio solutions to support the relocation of the West Tower controller to V/Line's CENTROL office location.

On completion, VicTrack will own, manage and operate the RRL telecommunications infrastructure, including fibre used for signalling.

> VicTrack is managing a project to relocate an important rail wagon maintenance facility at the Dynon creek siding precinct to McIntyre at Sunshine North, as the Dynon land is required for the RRL project. The work, which is expected to be complete by late 2012, will give VicTrack a new facility for standard and broad gauge wagon maintenance and the potential to service multiple operators.

> The scoping and procurement phase of a project to introduce the RRCN on behalf of V/Line was completed. RRCN will replace the existing and obsolete Non-Urban Train Radio system with a modern digital system that improves reliability and operations.

> Major refurbishment of the North Fitzroy and Doncaster bus depots was completed. The North Fitzroy upgrade required asbestos removal and reconstruction of the bus maintenance facility plus a site-wide fire protection system upgrade. The work at Doncaster also included asbestos removal. Both sites now have additional maintenance capacity, completed without disruption to operations during works.

> Work progressed on three station car park projects for PTV: Merinda (389 spaces), Pakenham (106 spaces) and Werribee (90 spaces). The $325,000 Pakenham project was completed on time and on budget in late June 2012; the $402,000 project at Werribee was completed on budget in July 2012 and Merinda – a $1.9 million project to construct a new commuter car park – is on schedule for completion on budget in August 2012.

> Five bridge refurbishment projects under the Bridge Renewal Program were completed, two more bridges than planned. Budget savings on the three scheduled bridge upgrades in Warrnambool, Eaglehawk and Castlemaine allowed two additional bridges in Kyneton and Macedon to be refurbished.

Ensuring safety for all transport users

Highlights 2011–12

> Safety upgrades at 40 Victorian level and pedestrian crossings in 2011–12, exceeded the agreed target of 38 with DoT/PTV.

Highlights of the program were:

- a $2 million road and rail safety upgrade at Lardner's Track, Warragul, regional Victoria's number one level crossing black spot, involving the installation of boom barriers interlinked with a new signal-controlled road intersection and Active Advance Warning Signs on the two major road approaches. It was commissioned in July 2012.
- a major overhaul of signalling in Shepparton, including the upgrade of seven level crossings, six *Disability Discrimination Act* compliant pedestrian crossings and one active pedestrian crossing. The project required the installation of computer-based interlocking to replace out-of-date and incompatible wiring and signalling in order to create a safer environment for train drivers, pedestrians and motorists. The new signalling has enabled V/Line to control the rail operations from Melbourne.
- project managing 11 crossing upgrades under the Victorian Government's Fix Regional Level Crossings program, established to accelerate level crossing safety across Victoria.

> VicTrack worked with DoT, V/Line and the Rail Cooperative Research Centre to trial low-cost level crossing warning devices for crossings in remote areas that have only light traffic. The results of the trial technologies will be available in the next financial year.

> With VicRoads, VicTrack specified, developed and launched a secure website that enables councils to manage their Safety Interface Agreements online.

> VicTrack completed the construction and commissioning of the fibre transmission network that connects two data centres with mobile communications towers supporting the metropolitan Digital Train Radio System project. Smart boxes connect the data centres with mobile communications towers. The network is operational, with work underway to extend it to additional sites at Sunbury and South Morang.

Lardner's Track level crossing upgrade

Part Two > Outcomes Report

Delivering value to transport (continued)

Integrating transport and land use planning

Highlights 2011–12

- Construction work began on the $70 million mixed-use IKON project adjacent to Glen Waverley railway station following demolition of buildings and site rehabilitation.

  The development comprises 116 one and two-bedroom apartments, nine strata office suites and 1,000 square metres of retail space. The office and residential component were sold prior to construction. Construction is expected to be finished in late 2013.
- VicTrack commenced a pilot place-making initiative for the Jewell Station Precinct project in Brunswick with the local community, station users, the City of Moreland and other stakeholders asked for their input into the 'vision' for the site.
- Following agreement between the Minister for Public Transport and the Minister for Planning, VicTrack transferred management of the Central Wodonga redevelopment project to Places Victoria.
- VicTrack finalised the purchase of the Melbourne Wholesale Fish Market early in the financial year. Tenants' lease agreements were extended until the opening of the new markets in West Melbourne early in 2012.
- The sale of surplus transport land at Joseph's Road, Footscray, to the Minister for Planning was finalised. The land will be used as open space to provide an important link to the Maribyrnong River from the proposed Joseph Road Precinct.

IKON Glen Waverley development

Part Two > Outcomes Report

Delivering value to whole-of-government

Supporting efficient government communications

Highlights 2011–12

> VicTrack laid fibre from the Hume Highway to railway stations in Wangaratta, Benalla and Seymour, connecting the Goulburn Ovens TAFE campuses in these towns to the TAFE Broadband Network. A wide area network was also connected to these campuses, replacing an ageing microwave system as part of this $2.2 million project.

> The $10 million Victorian Fibre Strategy to lay fibre along 196 km of rail corridor between Geelong and Warrnambool commenced, with contractors appointed and the environmental assessment completed. The project is planned for completion by early 2013. VicTrack is laying the fibre and installing communication huts along the path on behalf of DBI and will own and manage the fibre at project completion.

> Delivery of VicTrack's Spotswood Data Centre was completed. The centre has 16 racks, each of which can deliver up to 15 kilowatts of power. The $3 million project uses state-of-the-art technology to deliver power and cost savings. The 'lights out' facility is monitored remotely by VicTrack at its Network Operations and Call Centre.

Managing environmental challenges

Highlights 2011–12

> Asbestos audits and remediation works were completed at 68 sites in VicTrack's property portfolio as part of a rolling five-year program.

> VicTrack completed more than 50 contaminated land site assessments to identify any potential environmental or health risks resulting from historical land use or poor management practices. Sites where contamination is identified are re-ranked, investigated further and remediated where necessary in accordance with VicTrack's Contaminated Land Management Plan.

> VicTrack continues to work with Landcare groups around Victoria to monitor and increase biodiversity on its land assets. Projects initiated during the 2011-12 financial year included a community partnership in the Mildura region to install a rabbit-proof fence on VicTrack land and supporting a southern brown bandicoot monitoring program in Gippsland.

Protecting rail heritage and supporting communities

Highlights 2011–12

> 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:
- underpinning and restoration of the Newport Clock Tower, which had separated and rotated away from the main part of the building
- significant repairs to the architecturally significant external façade of the Gertrude Street Tram Engine Shed, an important surviving element of what was once the world's largest cable tram system
- repairs to the Traralgon Round House
- repairs to the Casterton Goods Shed, removal of the fire-damaged section of the Goods Shed platform and minor works to the station building and platform retaining wall.

> VicTrack completed a $1.3 million restoration of the Maryborough railway station verandah, funded by DoT and VicTrack. The works required specialist skilled labour and materials sourced from across Australia and were completed under plans approved by Heritage Victoria. The exterior restoration of the 1890s building is now complete.

> The quality of the restoration work at the historic Maldon Railway Station was recognised, with the National Trust bestowing its Restoration Award for Public Buildings on the station. The station was built in 1888 but gutted by fire in 2009.

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 seven independent, non-executive Directors, including the Chair: Bob Annells (Chair), Yehudi Blacher (Deputy Chair), Sam Andersen, Brian Bulluss, David Hunter, Tony Shepherd and Jenny Roche.

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

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 Board 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.

At year end, the members of the standing committees and the advisory panel were:

- **Audit and Risk Management Committee** – Sam Andersen (Chair), Yehudi Blacher and Brian Bulluss.
- **Human Resources Committee** – Bob Annells (Chair) and all other Directors.
- **Property and Environment Committee** – Yehudi Blacher (Chair), Tony Shepherd and David Hunter.
- **Telecommunications Committee** – Jenny Roche (Chair) and Brian Bulluss.
- **Heritage Advisory Panel** – David Hunter (Chair), Sam Andersen, a representative of Heritage Victoria and a heritage architect. (meets four times per year.)

Board and Committee Meetings

Member	Board	Audit and Risk Management Committee	Property and Environment Committee	Telecommunications Committee	Human Resources Committee
Bob Annells*****	2				
Yehudi Blacher*****	3	1	1		
Jenny Roche	9		2	5	1
Sam Andersen	10	4			3
David Hunter***	6		3		
Brian Bulluss***	8	1		4	1
Tony Shepherd****	4		2		
Bruce Cohen*	8	3	1	4	3
Chris Lovell**	6	3	3		

* Retired from the Board on 31 March 2012 & Bruce Cohen attended the Property and Environment meetings
** Retired from the Board on 31 March 2012
*** Appointed September 2011
**** Appointed October 2011 and resigned 12 July 2012
***** Appointed April 2012

Part Three > Statutory and Financial Reporting

Corporate governance (continued)

Corporate Plan

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

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 gave the tenants ample time to complete a replacement site in West Melbourne. 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. However, through the application of effective risk management the organisation can plan for 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.

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 2011 to 30 June 2012.

The Board verifies this assurance.

Bob Annells
Chair
Victorian Rail Track (VicTrack)

9 August 2012

Part Three > Statutory and Financial Reporting

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 2011-12 VicTrack commissioned 11 consultancies over $10,000 at a total cost of $621,399. All consultancies involved the provision of specialist advice and services not available in-house. A full list of consultancies appears on page 86.

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. A compliance program is in place in order to meet these requirements and relevant guidelines.

Freedom of Information

VicTrack received nine Freedom of Information requests during the 2011-12 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 $24.40 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, and

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

Part Three > Statutory and Financial Reporting

Statutory information (continued)

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

Parent Entity

The parent entity VicTrack recorded an operating profit before tax and depreciation of $108.6 million for the 2011-2012 financial year and had a net cash inflow from operating activities of $76.1 million.

The depreciation charge for the Parent Entity VicTrack reflects usage of major infrastructure assets for public transport purposes. The depreciation charge from 2011-2012 reflects the fair valuation of assets at 30 June 2011. 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	2012 $m	2011 $m	2010 $m	2009 $m	2008 $m
Total Revenue	194.5	277.0	245.3	223.1	165.3
Total Operating Expenditure	(85.9)	(65.7)	(70.4)	(52.4)	(57.5)
Net Profit/(Loss) before Income Tax & Depreciation	108.6	211.3	174.9	170.7	107.8
Depreciation Charge	(417.9)	(193.4)	(156.7)	(141.5)	(129.4)
Net Cash Inflow from Operating Activities	76.1	79.1	110.2	90.2	42.5
Total Assets (Note from 2011 is Fair Value)	19,409.7	18,399.2	8,433.6	6,909.7	6,367.4
Total Liabilities	(2,818.3)	(3,000.8)	(282.1)	(269.4)	(252.9)
Net Assets	16,591.4	15,398.4	8,151.5	6,640.3	6,114.5
Total Staff (Full and Part Time)	302.0	266.0	241.0	196.0	164.0

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

Notes:

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

Financial Performance (continued)

Consolidated Entity

The Consolidated Entity reported 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 (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 increased loss in 2012 is mainly attributable to the increased depreciation charge resulting from the fair valuation of assets at 30 June 2011.

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

Financial Summary Consolidated Entity	2012 $m	2011 $m	2010 $m	2009 $m	2008 $m
Total Revenue	358.1	427.5	405.9	432.2	328.6
Total Operating Expenditure	(175.9)	(155.1)	(170.7)	(220.4)	(155.0)
Net Profit/(Loss) before Income Tax & Depreciation	182.2	272.4	235.2	211.8	173.6
Depreciation Charge	(519.2)	(295.3)	(248.2)	(258.2)	(216.4)
Net Cash Inflow from Operating Activities	436.7	361.5	475.3	540.3	181.9
Total Assets (Note from 2011 is Fair Value)	22,695.6	21,540.4	10,465.8	8,726.2	7,811.7
Total Liabilities	(4,043.8)	(4,296.1)	(1,346.5)	(1,397.2)	(1,339.4)
Net Assets	18,651.8	17,244.3	9,119.0	7,329.0	6,472.3
Total Staff	302.0	266.0	241.0	196.0	164.0

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

Independent Auditor's Report

VAGO
Victorian Auditor-General's Office

Level 24, 35 Collins Street
Melbourne VIC 3000
Telephone 61 3 8601 7000
Facsimile 61 3 8601 7010
Email comments@audit.vic.gov.au
Website www.audit.vic.gov.au

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Victorian Rail Track

The Financial Report

The accompanying financial report for the year ended 30 June 2012 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 statutory statement 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 the fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994,* and for such internal control as the Board Members determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

Independent Auditor's Report (continued)

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 2012 and of their financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*

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 2012 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
26 September 2012

D D R Pearson
Auditor-General

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 2012 and the financial position of Victorian Rail Track as at 30 June 2012.

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 26th September 2012.

Bob Annells
Chair

Dated 26th September 2012

Cynthia Lahiff
CPA
Acting Chief Executive

Dated 26th September 2012

Leo Felicissimo
CPA
Acting General Manager
Business Services

Dated 26th September 2012

Comprehensive Operating Statement

For the year ended 30 June 2012

	Note	Consolidated 2012 $'000	Consolidated 2011 $'000	Parent 2012 $'000	Parent 2011 $'000
CONTINUING OPERATIONS					
Income from transactions:					
Telecommunications services		51,719	46,146	51,719	46,146
Property-related income		24,856	23,489	24,856	23,489
Leasehold improvements/ renewals received		38,604	139,700	38,604	139,700
Government contributions towards capital and related works		175,956	154,616	43,375	35,446
Other income	2	66,973	58,726	35,967	27,390
Capital assets charge		1,296,032	1,175,430	1,296,032	1,175,430
Total income from transactions		**1,654,140**	**1,598,107**	**1,490,553**	**1,447,601**
Expenses from transactions:					
Employee benefits expense	3a	21,339	20,477	21,339	20,477
Depreciation and amortisation expense	3b	519,211	295,307	417,939	193,408
Finance costs		89,899	89,243	-	-
Capital assets charge		1,296,032	1,175,430	1,296,032	1,175,430
Supplies and services expense	3c	41,334	32,482	41,334	32,482
Other operating expenses	3d	23,361	12,901	23,283	12,698
Total expenses from transactions		**1,991,176**	**1,625,840**	**1,799,927**	**1,434,495**
Net result from transactions (net operating balance)		**(337,036)**	**(27,733)**	**(309,374)**	**13,106**
Other economic flows included in net result					
Net gain/(loss) from non-financial assets		1,903	4,804	717	4,804
Total other economic flows included in net result		**1,903**	**4,804**	**717**	**4,804**
Net result from continuing operations before income tax		**(335,133)**	**(22,929)**	**(308,657)**	**17,910**
Tax equivalent (expense)/benefit	14a	123,177	14,027	144,709	1,566
Net result		**(211,956)**	**(8,902)**	**(163,948)**	**19,476**
Other economic flows – other non-owner changes in equity					
Changes In physical asset revaluation surplus	12	(175,717)	9,994,607	(175,717)	9,056,387
Income tax on physical asset revaluation surplus	14d	46,232	(3,000,316)	46,232	(2,710,865)
Total other economic flows – other non-owner changes in equity		**(129,485)**	**6,994,291**	**(129,485)**	**6,345,522**
Comprehensive result		**(341,441)**	**6,985,389**	**(293,433)**	**6,364,998**

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

Balance Sheet

As at 30 June 2012

	Note	Consolidated 2012 $'000	Consolidated 2011 $'000	Parent 2012 $'000	Parent 2011 $'000
ASSETS					
Financial assets					
Cash		5,154	5,177	3,432	3,405
Other financial assets	4	38,653	43,479	38,553	43,379
Trade and other receivables	5	28,960	26,493	155,380	153,224
Total financial assets		**72,767**	**75,149**	**197,365**	**200,008**
Non-financial assets					
Prepayments		822	2,663	822	2,663
Inventories	6	-	-	-	-
Property, infrastructure, plant and equipment	7(a)	22,558,651	21,399,229	19,211,524	18,196,518
Goodwill	1(j)(viii)	63,417	63,417	-	-
Total non-financial assets		**22,622,890**	**21,465,309**	**19,212,346**	**18,199,181**
Total assets		**22,695,657**	**21,540,458**	**19,409,711**	**18,399,189**
LIABILITIES					
Trade and other payables	8	57,809	68,745	54,683	48,019
Employee benefits	9	8,770	7,514	8,770	7,514
Borrowings	10	993,506	1,066,692	1,931	1,405
Deferred tax liability	14f	2,983,750	3,153,162	2,752,947	2,943,890
Total liabilities		**4,043,835**	**4,296,113**	**2,818,351**	**3,000,828**
Net assets		**18,651,822**	**17,244,346**	**16,591,380**	**15,398,361**
EQUITY					
Contributed capital	11	9,638,964	7,890,052	8,284,196	6,797,747
Revaluation surplus	12	8,841,880	8,971,363	8,193,111	8,322,594
Retained profits		170,978	382,931	114,073	278,020
Net worth		**18,651,822**	**17,244,346**	**16,591,380**	**15,398,361**

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 2012

	Note	Contributed equity $'000	Asset revaluation surplus $'000	Retained earnings $'000	Total equity $'000
CONSOLIDATED					
2012					
Balance at 1 July 2011		7,890,052	8,971,363	382,931	17,244,346
Net result for the year		-	-	(211,956)	(211,956)
Other non-owner changes in equity		-	(129,483)	3	(129,480)
Total comprehensive result for the year		**7,890,052**	**8,841,880**	**170,978**	**16,902,910**
Transactions with owners in their capacity as owners:					
Contributions by owners during the year	11	1,748,912	-	-	1,748,912
Capital returned during the year	11	-	-	-	-
Balance at 30 June 2012	**11**	**9,638,964**	**8,841,880**	**170,978**	**18,651,822**
2011					
Balance at 1 July 2010	11	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)	6,989,265
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**

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

	Note	Contributed equity $'000	Asset revaluation surplus $'000	Retained earnings $'000	Total equity $'000
PARENT					
2012					
Balance at 1 July 2011		6,797,747	8,322,594	278,020	15,398,361
Net result for the year		-	-	(163,948)	(163,948)
Other non-owner changes in equity		-	(129,483)	1	(129,483)
Total comprehensive result for the year		**6,797,747**	**8,193,111**	**114,073**	**15,104,930**
Transactions with owners in their capacity as owners:					
Contributions by owners during the year	11	1,486,448	-	-	1,486,448
Capital returned during the year	11	-	-	-	-
Balance at 30 June 2012	**11**	**8,284,196**	**8,193,111**	**114,073**	**16,591,378**
2011					
Balance at 1 July 2010	11	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**

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 2012

	Note	Consolidated 2012 $'000	Consolidated 2011 $'000	Parent 2012 $'000	Parent 2011 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts		307,915	284,310	121,185	111,831
Interest received		2,185	2,578	2,113	2,448
Receipts from the Victorian Government for:					
- capital assets charge (*)		1,296,032	1,175,430	1,296,032	1,175,430
- capital and related works (inclusive of GST) and termination payments		333,552	268,542	44,843	45,133
Total receipts		**1,939,684**	**1,730,860**	**1,464,173**	**1,334,842**
Payments					
Suppliers (inclusive of GST) and employees		(113,948)	(108,607)	(88,383)	(75,237)
Borrowing costs paid		(86,056)	(76,931)	-	-
Capital assets charge (*)		(1,296,032)	(1,175,430)	(1,296,032)	(1,175,430)
Goods and services tax paid to the ATO		(6,975)	(8,353)	(3,664)	(5,041)
Total payments		**(1,503,011)**	**(1,369,321)**	**(1,388,079)**	**(1,255,708)**
Net cash flows from/(used in) operating activities	**13(d)**	**436,673**	**361,539**	**76,094**	**79,134**
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from/(payments for):					
Investments		4,826	(7,294)	4,826	(7,294)
Acquisition of property, plant & equipment		(370,319)	(299,267)	(81,610)	(75,858)
Sale of property, plant & equipment		717	4,804	717	4,804
Net cash from/(used in) investing activities		**(364,776)**	**(301,757)**	**(76,067)**	**(78,348)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds/(payments) for:					
Borrowings		(71,921)	(59,071)	-	-
Net cash flows from/(used in) financing activities		**(71,921)**	**(59,071)**	**-**	**-**
Net increase/(decrease) in cash held		**(23)**	**711**	**27**	**786**
Cash at the beginning of the financial year		5,177	4,466	3,405	2,619
Cash at the end of the financial year		**5,154**	**5,177**	**3,432**	**3,405**

*(*) 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 Statement

30 June 2012

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 2012 were authorised for issue in accordance with a resolution of the Directors on 9 August 2012.

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.

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 of 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.

Notes to the Financial Statement (continued)

30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

(b) Basis of accounting preparation and measurement (continued)

(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. The fair value was determined on the basis of depreciated replacement cost.

The last independent valuation of non-financial physical assets was at 30 June 2011.

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

(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 2012 and the comparative information presented for the year ended 30 June 2011.

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

(iii) Statement of changes in equity

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

(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

There have been no changes in accounting policies during 2011-12.

(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 2012 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% of the voting rights. Where control of an entity is obtained during a financial year, its results are included in the consolidated Comprehensive Operating Statement from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control existed.

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

(ii) Transactions eliminated on consolidation

Inter-company 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.

Notes to the Financial Statement (continued)

30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

(e) Income from transactions (continued)

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 that are performed on the assets/improvements based on confirmations received from the other parties.

(iii) Government contributions

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

(iv) Interest income

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

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

(v) 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.

(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 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 2012.

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

The charge equates to approximately 15% on the Parent Entity's average net assets for the year ended 30 June 2012.

(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 2011-12, but limited to the income tax component of the NTER.

(i) Current tax

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

(ii) Deferred tax

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

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

- When the liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, or

Notes to the Financial Statement (continued)

30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

(g) National Tax Equivalent Regime (NTER) (continued)

(ii) Deferred tax (continued)

- 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 is 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 that 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 earmarked 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 uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(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.

The last independent valuation of rail infrastructure assets was at 30 June 2011.

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

• 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.

The last independent valuation of plant and equipment was at 30 June 2011.

Where the assets are revalued, the revaluation increments are credited directly to the asset revaluation surplus except to the extent that an

Notes to the Financial Statement (continued)

30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

(j) Non-financial assets (continued)

(iii) Property, infrastructure, plant and equipment (continued)

increment reverses a prior year decrement for that class of asset that had been recognised as an expense, in which case the increment is recognised in profit or loss up to the amount of the expense. Revaluation decrements are recognised as an expense except where prior increments are included in the asset revaluation surplus for that class of asset, in which case the decrement is taken to the reserve to the extent of the remaining increments.

(iv) 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 surplus, 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 surplus in respect of the same class of assets. Where this situation arises, the revaluation decrement is debited to the asset revaluation surplus. 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 Public Transport Victoria (PTV) for the purposes of conducting passenger and freight train and tram operations. PTV then sub-leases the assets to various transport operators and track access providers. Under the leases, responsibility for conducting transport operations and maintaining the infrastructure assets is effectively transferred to the lessees/sub-lessees. The Consolidated Entity reserves the exclusive right to engage in non-transport activities on its assets and specifically excludes trunk telecommunications infrastructure from the leases.

(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.

Transfers of net assets arising from administrative restructures and/or from all other arrangements which are deemed to be contributions by owners, where there is insufficient contributed capital for distribution are recognised as an expense by the transferor and income by the transferee in accordance with FRD 119 'Contributions by Owners'. Alternatively if the transferor has approval to reclassify sufficient accumulated funds to contributed capital prior to or at the time of the asset transfer date then a distribution from contributed capital can occur.

For the 2011-12 reporting period, DOT had insufficient contributed capital to meet all the asset transfers that would have otherwise qualified for recognition as a contributed capital transaction. FRD 119 'Contributions by Owners' permits the reclassification of accumulated funds to contributed capital where there is insufficient contributed capital for the asset transfers. The reclassification needs to be approved prior to or at the time of the asset transfers. This reclassification did not occur. Consequently, the asset transfers where there was insufficient contributed capital for distribution are recognised as an expense by DOT and income by the transferee entities.

(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 2012, 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 benefits – 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

Notes to the Financial Statement (continued)

30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

(k) Liabilities (continued)

(vi) Employee benefits – termination benefits (continued)

demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(vii) Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using 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 remain 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 Public Transport of Victoria 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 cost of incentives are recognised as a reduction of rental income over the lease term, on a straight-line basis unless another systematic basis is more representative of the time pattern over which the economic benefit of the leased asset is diminished.

(m) Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of 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.

Transfers of net assets arising from administrative restructures and/or from all other arrangements which are deemed to be contributions by owners, where there is insufficient contributed capital for distribution are recognised as an expense by the transferor and income by the transferee in accordance with FRD 119 'Contributions by Owners'. Alternatively if the transferor has approval to reclassify sufficient accumulated funds to contributed capital prior to or at the time of the asset transfer date then a distribution from contributed capital can occur.

For the 2011-12 reporting period, DOT had insufficient contributed capital to meet all the asset transfers that would have otherwise qualified for recognition as a contributed capital transaction. FRD 119 'Contributions by Owners' permits the reclassification of accumulated funds to contributed capital where there is insufficient contributed capital for the asset transfers. The reclassification needs to be approved prior to or at the time of the asset transfers. This reclassification did not occur. Consequently, the asset transfers where there was insufficient contributed capital for distribution are recognised as an expense by DOT and income by the transferee entities.

(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 2011 and 30 June 2012.

(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 to cover the Consolidated Entity's contractual commitments.

Notes to the Financial Statement (continued)

30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

(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 2012. These are outlined in the table below:

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 9 *Financial instruments*	This Standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement* (AASB 139 *Financial Instruments: Recognition and Measurement*).	1-Jan-13	Detail of impact is still being assessed.
AASB 10 *Consolidated Financial Statements*	This Standard establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities and supersedes those requirements in AASB 127 *Consolidated and Separate Financial Statements* and Interpretation 112 *Consolidation – Special Purpose Entities*.	1-Jan-13	Not-for-profit entities are not permitted to apply this standard prior to the mandatory application date. The AASB is assessing the applicability of principles in AASB 10 in a not-for-profit context. As such, impact will be assessed after the AASB's deliberation.
AASB 11 *Joint Arrangements*	This Standard requires entities that have an interest in arrangements that are controlled jointly to assess whether the arrangement is a joint operation or joint venture. AASB 11 shall be applied for an arrangement that is a joint operation. It also replaces parts of requirements in AASB 131 *Interests in Joint Ventures*.	1-Jan-13	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. The AASB is assessing the applicability of principles in AASB 11 in a not-for-profit context. As such, impact will be assessed after the AASB's deliberation.
AASB 12 *Disclosure of Interests in Other Entities*	This Standard requires disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the financial statements. This Standard replaces the disclosure requirements in AASB 127 and AASB 131.	1-Jan-13	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. The AASB is assessing the applicability of principles in AASB 12 in a not-for-profit context. As such, impact will be assessed after the AASB's deliberation.
AASB 13 *Fair Value Measurement*	This Standard outlines the requirements for measuring the fair value of assets and liabilities and replaces the existing fair value definition and guidance in other AASs. AASB 13 includes a 'fair value hierarchy' which ranks the valuation technique inputs into three levels using unadjusted quoted prices in active markets for identical assets or liabilities; other observable inputs; and unobservable inputs.	1-Jan-13	Disclosure for fair value measurements using unobservable inputs are relatively onerous compared to disclosure for fair value measurements using observable inputs. Consequently, the Standard may increase the disclosures for public sector entities that have assets measured using depreciated replacement cost.

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 119 *Employee Benefits*	In this revised Standard for defined benefit superannuation plans, there is a change to the methodology in the calculation of superannuation expenses, in particular there is now a change in the split between superannuation interest expense (classified as transactions) and actuarial gains and losses (classified as 'Other economic flows – other movements in equity') reported in the comprehensive operating statement.	1-Jan-13	Not-for-profit entities are not permitted to apply this standard prior to the mandatory application date. While the total superannuation expense is unchanged, the revised methodology is expected to have a negative impact on the net result from transactions of the general government sector and for those few Victorian public sector entities that report superannuation defined benefit plans.
AASB 127 *Separate Financial Statements*	This revised Standard prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.	1-Jan-13	Not-for-profit entities are not permitted to apply this standard prior to the mandatory application date. The AASB is assessing the applicability of principles in AASB 127 in a not-for-profit context. As such, impact will be assessed after the AASB's deliberation.
AASB 128 *Investments in Associates and Joint Ventures*	This revised Standard sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.	1-Jan-13	Not-for-profit entities are not permitted to apply this standard prior to the mandatory application date. The AASB is assessing the applicability of principles in AASB 128 in a not-for-profit context. As such, impact will be assessed after the AASB's deliberation.
AASB 1053 *Application of Tiers of Australian Accounting Standards*	This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements.	1-Jul-13	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) for certain public sector entities and has not decided if RDRs will be implemented in the Victorian public sector.
AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* *[AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12]*	This Standard gives effect to consequential changes arising from the issuance of AASB 9.	1-Jan-13	No significant impact is expected from these consequential amendments on entity reporting.
AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*	This Standard makes amendments to many Australian Accounting Standards, including Interpretations, to introduce reduced disclosure requirements to the pronouncements for application by certain types of entities.	1-Jul-13	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) for certain public sector entities and has not decided if RDRs will be implemented in the Victorian public sector.

Notes to the Financial Statement (continued)

30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

(t) New accounting standards and interpretations (continued)

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* *[AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]*	These consequential amendments are in relation to the introduction of AASB 9.	1-Jan-13	No significant impact is expected from these consequential amendments on entity reporting.
AASB 2010-8 *Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets* *[AASB 112]*	This amendment provides a practical approach for measuring deferred tax assets and deferred tax liabilities when measuring investment property by using the fair value model in AASB 140 *Investment Property*.	Beginning 1-Jan-12	This amendment provides additional clarification through practical guidance.
AASB 2010-10 *Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters* *[AASB 2009-11 & AASB 2010-7]*	The amendments ultimately affect AASB 1 *First-time Adoption of Australian Accounting Standards* and provide relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards.	1-Jan-13	No significant impact is expected on entity reporting.
AASB 2011-2 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements* *[AASB 101 & AASB 1054]*	The objective of this amendment is to include some additional disclosure from the Trans-Tasman Convergence Project and to reduce disclosure requirements for entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements.	1-Jul-13	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) and has not decided if RDRs will be implemented in the Victorian public sector.
AASB 2011-3 *Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments* *[AASB 1049]*	This amends AASB 1049 to clarify the definition of the ABS GFS Manual, and to facilitate the adoption of changes to the ABS GFS Manual and related disclosures.	1-Jul-12	This amendment provides clarification to users preparing the whole of government and general government sector financial reports on the version of the GFS Manual to be used and what to disclose if the latest GFS Manual is not used. No impact on departmental or entity reporting.

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* *[AASB 124]*	This Standard amends AASB 124 *Related Party Disclosures* by removing the disclosure requirements in AASB 124 in relation to individual key management personnel (KMP).	1-Jul-13	No significant impact is expected from these consequential amendments on entity reporting.
AASB 2011-6 *Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements* *[AASB 127, AASB 128 & AASB 131]*	The objective of this Standard is to make amendments to AASB 127 *Consolidated and Separate Financial Statements*, AASB 128 *Investments in Associates* and AASB 131 *Interests in Joint Ventures* to extend the circumstances in which an entity can obtain relief from consolidation, the equity method or proportionate consolidation.	1-Jul-13	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) and has not decided if RDRs will be implemented in the Victorian public sector.
AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* *[AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]*	This Standard outlines consequential changes arising from the issuance of the five 'new standards' to other standards. For example, references to AASB 127 *Consolidated and Separate Financial Statements* are amended to AASB 10 *Consolidated Financial Statements* or AASB 127 *Separate Financial Statements*, and references to AASB 131 *Interests in Joint Ventures* are deleted as that Standard has been superseded by AASB 11 and AASB 128 (August 2011).	1-Jan-13	No significant impact is expected from these consequential amendments on entity reporting.
AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* *[AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132]*	This amending Standard makes consequentical changes to a range of Standards and Interpretations arising from the issuance of AASB 13. In particular, this Standard replaces the existing definition and guidance of fair value measurements in other Australian Accounting Standards and Interpretations.	1-Jan-13	Disclosures for fair value measurements using unobservable inputs is potentially onerous, and may increase disclosures for assets measured using depreciated replacement cost.

Notes to the Financial Statement (continued)

30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

(t) New accounting standards and interpretations (continued)

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income* *[AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]*	The main change resulting from this standard is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). These amendments do not remove the option to present profit or loss and other comprehensive income in two statements, nor change the option to present items of OCI either before tax or net of tax.	1-Jul-12	This amended Standard could change the current presentation of 'Other economic flows - other movements in equity' that will be grouped on the basis of whether they are potentially reclassifiable to profit or loss subsequently. No other significant impact will be expected.
AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)* *[AASB 1, AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011-8 and Interpretation 14]*	This standard makes consequential changes to a range of other Australian Accounting Standards and Interpretation arising from the issuance of AASB 119 *Employee Benefits*.	1-Jan-13	No significant impact is expected from these consequential amendments on entity reporting.
AASB 2011-11 *Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements*	This Standard makes amendments to AASB 119 *Employee Benefits* (September 2011), to incorporate reduced disclosure requirements into the standard for entities applying Tier 2 requirements in preparing general purpose financial statements.	1-Jul-13	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) and has not decided if RDRs will be implemented in the Victorian public sector.
AASB 2011-12 *Amendments to Australian Accounting Standards arising from Interpretation 20* *[AASB 1]*	This Standard makes amendments to AASB 1 *First-time Adoption of Australian Accounting Standards*, as a consequence of the issuance of IFRIC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*. This standard allows the first-time adopters to apply the transitional provisions contained in Interpretation 20.	1-Jan-13	There may be an impact for new agencies that adopt Australian Accounting Standards for the first time. No implication is expected for the group.

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
2011-13 *Amendments to Australian Accounting Standard – Improvements to AASB 1049*	This Standard aims to improve the AASB 1049 *Whole of Government and General Government Sector Financial Reporting* at the operational level. The main amendments clarify a number of requirements in AASB 1049, including the amendment to allow disclosure of other measures of key fiscal aggregates as long as they are clearly distinguished from the key fiscal aggregates and do not detract from the the information required by AASB 1049. Furthermore, this standard provides additional guidance and examples on the classification between ‘transactions’ and ‘other economic flows’ for GAAP items without GFS equivalents.	1-Jul-12	No significant impact is expected from these consequential amendments on entity reporting.
2012-1 *Amendments to Australian Accounting Standards – Fair Value Measurement - Reduced Disclosure Requirements* *[AASB 3, AASB 7, AASB 13, AASB 140 & AASB 141]*	This amending Standard prescribes the reduced disclosure requirements in a number of Australian Accounting Standards as a consequence of the issuance of AASB 13 *Fair Value Measurement*.	1-Jul-13	As the Victorian whole of government and the general government (GG) sector is subject to Tier 1 reporting requirements (refer to AASB 1053 *Application of Tiers of Australian Accounting Standards*), the reduced disclosure requirements included in AASB 2012-1 will not affect the financial reporting for Victorian whole of government and GG sector.
AASB Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*	This interpretation clarifies when production stripping costs should lead to the recognition of an asset and how that asset should be initially and subsequently measured.	1-Jan-13	No significant impact is expected on entity reporting.

These Australian Accounting Standards and Interpretations have no impact on the financial statements of the Consolidated Entity for the year ended 30 June 2012.

Notes to the Financial Statement (continued)

30 June 2012

Note 2. Income from transactions

		Consolidated		Parent	
	Note	2012 $000	2011 $000	2012 $000	2011 $000
Interest received		2,185	2,676	2,113	2,546
Rolling stock lease income		29,225	29,119	-	-
Infrastructure management revenue		22,180	12,945	22,180	12,945
Other		13,383	13,986	11,674	11,899
Total other income		**66,973**	**58,726**	**35,967**	**27,390**

Note 3. Expenses from transactions

(a) Employee benefits

		Consolidated		Parent	
	Note	2012 $000	2011 $000	2012 $000	2011 $000
Salaries and wages		13,957	14,805	13,957	14,805
Associated labour costs:					
On-costs		2,356	2,030	2,356	2,030
Superannuation contributions		2,834	2,288	2,834	2,288
Total associated labour costs		**5,190**	**4,318**	**5,190**	**4,318**
Increase in provision for employee entitlements		2,043	1,189	2,043	1,189
Termination payments		149	165	149	165
Total employee benefits		**21,339**	**20,477**	**21,339**	**20,477**

(b) Depreciation and amortisation

		Consolidated		Parent	
	Note	2012 $000	2011 $000	2012 $000	2011 $000
Buildings and structures		97,686	35,403	97,686	35,403
Track		121,461	83,489	121,461	83,489
Signals and communications		161,876	63,398	161,876	63,398
Plant and equipment		138,188	113,017	36,916	11,118
Total depreciation and amortisation		**519,211**	**295,307**	**417,939**	**193,408**

(c) Supplies and services

		Consolidated		Parent	
	Note	2012 $000	2011 $000	2012 $000	2011 $000
Property services (including land tax)		8,700	4,379	8,700	4,379
Telecommunications expenses		12,203	10,802	12,203	10,802
Contract payments		10,147	7,441	10,147	7,441
Other		10,284	9,860	10,284	9,860
Total supplies and services		**41,334**	**32,482**	**41,334**	**32,482**

(d) Other operating expenses

		Consolidated		Parent	
	Note	2012 $000	2011 $000	2012 $000	2011 $000
Increase/(decrease) in provision for doubtful debts		(95)	(2)	(95)	(2)
Bad debts		65	94	65	94
Insurance premiums		557	545	557	545
Legal fees		705	508	705	508
Occupancy costs		1,515	1,207	1,515	1,207
Customer construction expense		13,511	5,562	13,511	5,562
Other expenses		7,103	4,987	7,025	4,784
Total other operating expenses		**23,361**	**12,901**	**23,283**	**12,698**

Notes to the Financial Statement (continued)

30 June 2012

Note 4. Other financial assets

	Note	Consolidated 2012 $000	Consolidated 2011 $000	Parent 2012 $000	Parent 2011 $000
Funds on deposit		100	100	-	-
Investments – Treasury Corporation of Victoria		38,553	43,379	38,553	43,379
Other financial assets		**38,653**	**43,479**	**38,553**	**43,379**
Reconciled by:					
CURRENT					
Investments – Treasury Corporation of Victoria		38,553	43,379	38,553	43,379
		38,553	**43,379**	**38,553**	**43,379**
NON-CURRENT					
Funds on deposit		100	100	-	-
		100	**100**	**-**	**-**
Total other financial assets		**38,653**	**43,479**	**38,553**	**43,379**

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% (2011: 5.15%) with quarterly payments of interest.

(a) Ageing analysis

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

(b) 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

		Consolidated		Parent	
	Note	2012 $000	2011 $000	2012 $000	2011 $000
Receivables		29,169	26,797	155,589	153,528
Less provision for impairment of receivables (a)		(209)	(304)	(209)	(304)
		28,960	**26,493**	**155,380**	**153,224**
Reconciled by:					
CURRENT					
Receivables		29,169	26,732	155,589	153,463
Less provision for impairment of receivables (a)		(209)	(304)	(209)	(304)
		28,960	**26,428**	**155,380**	**153,159**
NON-CURRENT					
Receivables		-	65	-	65
Less provision for impairment of receivables		-	-	-	-
		-	**65**	**-**	**65**
Total receivables		**28,960**	**26,493**	**155,380**	**153,224**

(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 $209,000 (2011: $304,000) has been recognised by the Consolidated Entity and $209,000 (2011: $304,000) 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 $361,000 (2011: $2,615,000); Parent Entity $361,000 (2011: $2,615,000).

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

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

		Consolidated		Parent	
	Note	2012 $000	2011 $000	2012 $000	2011 $000
At 1 July		304	306	304	306
Provision for impairment recognised during the year		125	(2)	125	(2)
Receivables written off during the year		(57)	-	(57)	-
Amounts reversed during the year		(163)	-	(163)	-
At 30 June		**209**	**304**	**209**	**304**

Notes to the Financial Statement (continued)

30 June 2012

Note 5. Trade and other receivables (continued)

(b) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying value approximates their fair value. The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security. Refer to Note 23 for more information on the risk management policy of the Consolidated Entity and the credit quality of the entity's receivables.

(c) Risk exposure

Detail regarding interest rate risk exposure is disclosed in Note 23, Financial Risk Management.

Note 6. Inventories

		Consolidated		Parent	
	Note	2012 $000	2011 $000	2012 $000	2011 $000
Stores and materials		856	856	856	856
Less provision for stock obsolescence		(856)	(856)	(856)	(856)
Total inventories		-	-	-	-

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 2012 amounted to nil (2011: $25,000).

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

		Consolidated		Parent	
	Note	2012 $000	2011 $000	2012 $000	2011 $000
LAND					
Rail corridor land – at fair value		1,712,566	1,712,566	1,718,969	1,712,566
Non-rail corridor land – at fair value		1,313,572	1,313,572	1,317,069	1,313,572
Total land		**3,036,038**	**3,026,138**	**3,036,038**	**3,026,138**
BUILDINGS AND STRUCTURES					
Net fair value		4,667,490	4,516,286	4,667,490	4,516,286
Accumulated depreciation		(96,132)	-	(96,132)	-
Carrying amount		**4,571,358**	**4,516,286**	**4,571,358**	**4,516,286**
Allocation statement valuation		108,283	-	108,283	-
Accumulated depreciation		(6)	-	(6)	-
Carrying amount		**108,277**	**-**	**108,277**	**-**
Cost		220,189	-	220,189	-
Accumulated depreciation		(1,548)	-	(1,548)	-
Carrying amount		**218,641**	**-**	**218,641**	**-**
Total buildings and structures after depreciation		**4,898,276**	**4,516,286**	**4,898,276**	**4,516,286**
TRACK					
Net fair value		5,720,454	5,852,998	5,720,454	5,852,998
Accumulated depreciation		(119,942)	-	(119,942)	-
Carrying amount		**5,600,512**	**5,852,998**	**5,600,512**	**5,852,998**
Allocation statement valuation		19,233	-	19,233	-
Accumulated depreciation		(1)	-	(1)	-
Carrying amount		**19,232**	**-**	**19,232**	**-**
Cost		185,746	-	185,746	-
Accumulated depreciation		(1,518)	-	(1,518)	-
Carrying amount		**184,228**	**-**	**184,228**	**-**
Total track after depreciation		**5,803,972**	**5,852,998**	**5,803,972**	**5,852,998**

Notes to the Financial Statement (continued)

30 June 2012

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

Purpose group – Transportation and communications (continued)

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

		Consolidated		Parent	
	Note	2012 $000	2011 $000	2012 $000	2011 $000
SIGNALS AND COMMUNICATION					
Net fair value		2,461,480	3,045,125	2,461,480	3,045,125
Accumulated depreciation		(156,423)	-	(156,423)	-
Carrying amount		**2,305,057**	**3,045,125**	**2,305,057**	**3,045,125**
Allocation statement valuation		2,232	-	2,232	-
Accumulated depreciation		-	-	-	-
Carrying amount		**2,232**	**-**	**2,232**	**-**
Cost		244,730	-	244,730	-
Accumulated depreciation		(5,453)	-	(5,453)	-
Carrying amount		**239,277**	**-**	**239,277**	**-**
Total signals and communication after depreciation		**2,546,566**	**3,045,125**	**2,546,566**	**3,045,125**
PLANT AND EQUIPMENT					
Net fair value		3,751,906	3,327,100	934,412	509,605
Accumulated depreciation		(128,432)	-	(36,120)	-
Carrying amount		**3,623,474**	**3,327,100**	**898,292**	**509,605**
Allocation statement valuation		1,622	-	1,622	-
Accumulated depreciation		-	-	-	-
Carrying amount		**1,622**	**-**	**1,622**	**-**
Finance lease at cost		2,612	1,396	2,612	1,396
Accumulated depreciation		(701)	-	(701)	-
Carrying amount		**1,911**	**1,396**	**1,911**	**1,396**
Cost		424,838	-	11,467	-
Accumulated depreciation		(9,129)	-	(169)	-
Carrying amount		**415,709**	**-**	**11,298**	**-**
Total plant and equipment after depreciation		**4,042,716**	**3,328,496**	**913,123**	**511,001**
CAPITAL WORKS IN PROGRESS					
Leasehold improvements/renewals		1,857,793	1,094,147	1,857,793	1,094,147
Rolling stock under construction		217,534	385,216	-	-
Other		155,756	150,823	155,756	150,823
Total capital works in progress		**2,231,083**	**1,630,186**	**2,013,549**	**1,244,970**
Total property, infrastructure, plant and equipment		**22,558,651**	**21,399,229**	**19,211,524**	**18,196,518**

	Land $'000	Buildings & structures $'000	Track $'000	Signals & comms. $'000	Plant & equipment $'000	WIP $'000	TOTAL $'000
CONSOLIDATED							
2012							
Carrying amount at 1 July 2011	3,026,138	4,516,286	5,852,998	3,045,125	3,328,496	1,630,186	21,399,229
Additions (*)	25,996	108,284	19,232	2,231	4,109	1,695,753	1,855,605
Disposals	(436)	-	-	-	(818)	-	(1,254)
Other adjustments	-	156,723	-	(582,463)	425,740	-	-
Revaluation movement	(21,608)	(5,520)	(132,544)	(1,182)	(601)	(14,263)	(175,718)
Depreciation charge for the year	-	(97,686)	(121,461)	(161,876)	(138,188)	-	(519,211)
Transferred from WIP	5,948	220,189	185,747	244,731	423,978	(1,080,593)	-
Carrying value at 30 June 2012	**3,036,038**	**4,898,276**	**5,803,972**	**2,546,566**	**4,042,716**	**2,231,083**	**22,558,651**
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 (*)	4006	-	-	-	32,383	1,444,206	1,480,595
Disposals	(8,063)	-	(84,922)	-	(504)	(35,501)	(128,990)
Revaluation movement	(10,615)	3,239,182	3,521,136	2,072,161	1,199,359	-	10,021,223
Depreciation charge for the year	-	(35,403)	(83,489)	(63,398)	(113,017)	-	(295,307)
Transferred from WIP	10,944	339,754	737,892	177,036	619,791	(1,885,417)	-
Carrying value 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**

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

Notes to the Financial Statement (continued)

30 June 2012

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

Purpose group – Transportation and communications (continued)

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

	Land $'000	Buildings & structures $'000	Track $'000	Signals & comms. $'000	Plant & equipment $'000	WIP $'000	TOTAL $'000
PARENT							
2012							
Carrying amount at 1 July 2011	3,026,138	4,516,286	5,852,998	3,045,125	511,001	1,244,970	18,196,518
Additions (*)	25,996	108,284	19,232	2,231	2,924	1,451,250	1,609,917
Disposals	(436)	-	-	-	(818)	-	(1,254)
Other adjustments	-	156,723	-	(582,463)	425,740	-	-
Revaluation movement	(21,608)	(5,520)	(132,544)	(1,182)	(601)	(14,263)	(175,718)
Depreciation charge for the year	-	(97,686)	(121,461)	(161,876)	(36,916)	-	(417,939)
Transferred from WIP	5,948	220,189	185,747	244,731	11,793	(668,408)	-
Carrying value at 30 June 2012	**3,036,038**	**4,898,276**	**5,803,972**	**2,546,566**	**913,123**	**2,013,549**	**19,211,524**
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 (*)	4,006	-	-	-	1,257	1,228,978	1,234,241
Disposals	(8,063)	-	(84,922)	-	(504)	(35,501)	(128,990)
Revaluation movement	(10,615)	3,239,182	3,521,136	2,072,161	234,523	-	9,056,387
Depreciation charge for the year	-	(35,403)	(83,489)	(63,398)	(11,118)	-	(193,408)
Transferred from WIP	10,944	339,754	737,892	177,036	216,413	(1,482,039)	-
Carrying value at 30 June 2011	**3,026,138**	**4,516,286**	**5,852,998**	**3,045,125**	**511,001**	**1,244,970**	**18,196,518**

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

(c) Valuations 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) Valuations of building and structures

At the direction of the Minister of Finance, and in line with whole of government reporting, VicTrack and its consolidated entities has adopted fair value for its building and structure 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). 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 of Finance, and in line with whole of government reporting, VicTrack and its consolidated entities has 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) Valuations of Signals and Communication

At the direction of the Minister of Finance, and in line with Whole of Government reporting, VicTrack and its consolidated entities has adopted fair value for its signal and communication 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) Valuations of Plant and Equipment

At the direction of the Minister of Finance, and in line with whole of government reporting, VicTrack and its consolidated entities has 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 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	2012 $000	2011 $000	2012 $000	2011 $000
Trade and other payables		57,809	68,745	54,683	48,019
Total trade and other payables		**57,809**	**68,745**	**54,683**	**48,019**

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 Statement (continued)

30 June 2012

Note 9. Provisions

		Consolidated		Parent	
	Note	2012 $000	2011 $000	2012 $000	2011 $000
Long service leave		5,282	4,644	5,282	4,644
Annual leave		2,654	2,077	2,654	2,077
Other employee benefits		834	793	834	793
		8,770	**7,514**	**8,770**	**7,514**
Reconciled by:					
CURRENT					
Long service leave (*)		4,656	4,314	4,656	4,314
Annual leave		2,654	2,077	2,654	2,077
Other employee benefits		834	793	834	793
		8,144	**7,184**	**8,144**	**7,184**
NON-CURRENT					
Long service leave		626	330	626	330
		626	**330**	**626**	**330**
Total provisions		**8,770**	**7,514**	**8,770**	**7,514**

(*) Expected long service leave payment in the next 12 months is $382,000 (2011: $305,000) and $4,900,000 (2011: $4,339,000) 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 2011	**6,534**	**980**	**7,514**
Additional provision recognised	3,868	571	4,439
Reductions arising from payments	(2,743)	(409)	(3,152)
Movement resulting from re-measurement or settlement without cost	(26)	(4)	(30)
Balance at 30 June 2012	**7,632**	**1,138**	**8,770**
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

		Consolidated		Parent	
	Note	2012 $000	2011 $000	2012 $000	2011 $000
Secured loan		303,914	326,461	-	-
Lease liability		689,592	740,231	1,931	1,405
		993,506	**1,066,692**	**1,931**	**1,405**
Reconciled by:					
CURRENT					
Secured loan		29,992	29,125	-	-
Lease liability		50,080	51,734	941	569
		80,072	**80,859**	**941**	**569**
NON-CURRENT					
Secured loan		273,922	297,335	-	-
Lease liability		639,512	688,497	990	836
		913,434	**985,832**	**990**	**836**
Total borrowings		**993,506**	**1,066,692**	**1,931**	**1,405**

(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 and revert to the lessor in the event of default.

The loans in the Rolling Stock Holdings entities are secured by way of fixed charge over the 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 Statement (continued)

30 June 2012

Note 11. Equity and movements in equity – Consolidated Entity

Contributed capital

	Capital 1 July 2011 $'000	Capital Returned $'000	Additional Capital $'000	Capital 30 June 2012 $'000
ASSETS				
Inventory	205	-	-	205
Receivables	2,715	-	-	2715
Land	1,054,045	-	-	1,054,045
Buildings and structures	888,708	-	-	888,708
Track	1,303,643	-	-	1,303,643
Signals and communication	653,018	-	-	653,018
Plant and equipment	122,145	-	-	122,145
Works in progress/other assets	3,872,532	-	1,748,912	5,621,444
Total assets	**7,897,011**	**-**	**1,748,912**	**9,645,923**
LIABILITIES				
Provision for employee benefits	(6,959)	-	-	(6,959)
Total liabilities	**(6,959)**	**-**	**-**	**(6,959)**
Contributed capital at the end of the year	**7,890,052**	**-**	**1,748,912**	**9,638,964**

	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 communication	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**

Note 11. Equity and movements in equity – Parent Entity

Contributed capital

	Capital 1 July 2011 $'000	Capital Returned $'000	Additional Capital $'000	Capital 30 June 2012 $'000
ASSETS				
Inventory	205	-	-	205
Receivables	2,715	-	-	2,715
Land	1,054,045	-	-	1,054,045
Buildings and structures	888,708	-	-	888,708
Track	1,303,643	-	-	1,303,643
Signals and communication	653,018	-	-	653,018
Plant and equipment	116,114	-	-	116,114
Works in progress/other assets	2,786,258	-	1,486,448	4,272,706
Total assets	**6,804,706**	**-**	**1,486,448**	**8,291,154**
LIABILITIES				
Provision for employee benefits	(6,959)	-	-	(6,959)
Total liabilities	**(6,959)**	**-**	**-**	**(6,959)**
Contributed capital at the end of the year	**6,797,747**	**-**	**1,486,448**	**8,284,196**

	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 communication	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**

Notes to the Financial Statement (continued)

30 June 2012

Note 12. Asset revaluation surplus

	Note	Consolidated		Parent	
		2012 $000	2011 $000	2012 $000	2011 $000
Balance at beginning of financial year		8,971,363	1,977,072	8,322,594	1,977,072
Revaluation increments/ (decrements)		-	10,001,053	-	9,036,218
Adjustments, disposal & transferred out		(175,717)	(6,446)	(175,717)	20,169
Changes In physical asset revaluation surplus		**(175,717)**	**9,994,607**	**(175,717)**	**9,056,387**
Net increment after income tax					
Income tax on physical asset revaluation surplus		46,232	(3,000,316)	46,232	(2,710,865)
Net increment after income tax		**8,841,880**	**8,971,363**	**8,193,111**	**8,322,594**

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

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

(a) Reconciliation of cash and cash equivalents

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

(b) Non-cash financing and investing facilities

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

(c) Finance facilities

The Consolidated Entity does not have any unused credit facilities in place at 30 June 2012 (2011: Nil).

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

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

	Consolidated		Parent	
	2012 $000	2011 $000	2012 $000	2011 $000
Net result for the period	(211,956)	(8,902)	(163,948)	19,476
Adjustments for:				
Depreciation/ amortisation	519,211	295,307	417,939	193,408
Fair value adjustments	(1,836)	(2,087)	-	-
Loss/(profit) on sale of assets	(1,903)	(4,804)	(717)	(4,804)
Receipts recognised as contributed capital	286,710	223,409	(1,998)	-
Leasehold improvements/renewals received	(38,604)	(139,700)	(38,604)	(139,700)
Tax equivalent (expense)/benefit	(123,177)	(14,027)	(144,709)	(1,566)
Changes in assets/liabilities:				
(Increase)/decrease in receivables	(626)	10,752	(315)	10,752
Increase/(decrease) in other payables	8,854	1,591	8,446	1,568
Net cash flow provided by/(used in) operating activities	**436,673**	**361,539**	**76,094**	**79,134**

Notes to the Financial Statement (continued)

30 June 2012

Note 14. National Tax Equivalent Regime

(a) Income tax

	Consolidated		Parent	
	2012 $000	2011 $000	2012 $000	2011 $000
Current income tax (expense)/benefit	53,805	20,385	35,936	5,827
Adjustment in respect of current income tax of previous years	-	6,408	-	6,408
Deferred income tax	69,372	(12,766)	108,773	(10,669)
Total income tax (expense)/ benefit	**123,177**	**14,027**	**144,709**	**1,566**
Adjustment to prior year tax loss	-	(3,395)	-	(7,830)
Total income tax (expense)/ benefit	**123,177**	**10,632**	**144,709**	**(6,264)**

(b) Income tax reconciliation

Accounting profit/(loss) before tax	(335,133)	(22,929)	(308,657)	17,910
Income tax (expense)/benefit at company tax rate of 30%	100,540	6,879	92,597	(5,373)
Non-allowable items	22,637	7,148	52,112	6,939
	123,177	**14,027**	**144,709**	**1,566**

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

(Increase)/decrease in deferred tax liabilities	93,296	845	116,793	(9,547)
Increase/(decrease) in deferred tax assets	(23,924)	(13,612)	(8,020)	(1,122)
	69,372	**(12,766)**	**108,773**	**(10,669)**

(d) Amounts charged directly to equity

RETAINED EARNINGS				
Adjustment to prior year tax loss	-	(3,395)	-	(7,830)
REVALUATION RESERVES				
Revaluations of plant and equipment	**(46,232)**	**3,000,316**	**(46,232)**	**2,710,865**

(e) Deferred tax assets

The balance comprises temporary differences attributable to:

	Consolidated		Parent	
	2012 $000	2011 $000	2012 $000	2011 $000
Fair value of loan	2,080	2,635	-	-
Finance lease liability	206,878	222,069	579	421
Prepaid revenue	-	8,527	-	8,527
Accrued leave	2,631	2,254	2,631	2,254
Doubtful debts	63	91	63	91
Stock obsolescence	257	257	257	257
Losses available for offset	189,609	135,805	86,740	50,804
Total deferred tax assets	**401,518**	**371,638**	**90,270**	**62,355**

(f) Deferred tax liabilities

The balance comprises temporary differences attributable to:

Revaluation of plant and equipment	(2,954,082)	(3,000,316)	(2,664,632)	(2,710,865)
Accelerated depreciation	(140,834)	(295,249)	(178,012)	(295,250)
Finance lease assets	(290,304)	(229,178)	(573)	(125)
Interest receivable	-	(5)	-	(5)
Fair value of loan	(48)	(52)	-	-
Total deferred tax liabilities	**(3,385,268)**	**(3,524,800)**	**(2,843,218)**	**(3,006,245)**
Net deferred tax assets/(liabilities)	**(2,983,750)**	**(3,153,160)**	**(2,752,947)**	**(2,943,890)**

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

Opening balance	(3,153,160)	(163,477)	(2,943,890)	(226,761)
Charged to income tax expense	69,372	(12,766)	108,773	(10,669)
Charge to equity	46,234	(3,000,316)	46,234	(2,710,865)
Movement in tax losses	53,804	23,398	35,936	4,405
Closing balance	**(2,983,750)**	**(3,153,160)**	**(2,752,947)**	**(2,943,890)**

Notes to the Financial Statement (continued)

30 June 2012

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 302 (2011:266).

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

Superannuation fund (*)	30 June 2012 Contributions $'000	Contributions Outstanding as at 30 June 2012 $'000	30 June 2011 Contributions $'000	Contributions Outstanding as at 30 June 2011 $'000
Transport Superannuation Scheme	352	40	326	37
State Superannuation Scheme	296	33	309	32
VicSuper Scheme	1025	121	810	95
Other	1161	196	843	145
	2,834	**390**	**2,288**	**309**

(*) 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	
	2012 $000	2011 $000	2012 $000	2011 $000
Within one year	70,710	140,588	16,575	14,134
One year or later and not later than five years	144,275	319,785	-	-
Total capital commitments	**214,985**	**460,373**	**16,575**	**14,134**

The Consolidated Entity has entered into contracts for the supply and manufacture of new passenger trains. As at 30 June 2012, $218 million (2011: $385 million) is recorded as works in progress for these assets.

Note 17. Lease commitments

	Consolidated		Parent	
	2012 $000	2011 $000	2012 $000	2011 $000
OPERATING LEASES				
Within one year	1,640	1,259	1,640	1,259
Later than one year but not later than five years	5,114	4,478	5,114	4,478
Total operating lease commitments	**6,754**	**5,737**	**6,754**	**5,737**

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

FINANCE LEASES				
Within one year	127,062	128,384	941	569
Later that one year but not later than five years	665,209	605,891	990	836
Later than five years	326,567	497,870	-	-
Minimum finance lease payments	**1,118,838**	**1,232,145**	**1,931**	**1,405**
Less:				
Recoverable GST	(101,537)	(111,885)	-	-
Future finance lease charges	(327,709)	(380,028)	-	-
Present value of minimum finance lease payments	**689,592**	**740,232**	**1,931**	**1,405**

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%.

Note 18. Investments

Subsidiaries

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

Name	Country of incorporation	Percentage of equity interest held by the Consolidated Entity	
		2012	2011
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 Statement (continued)

30 June 2012

Note 19. Contingent liabilities

Environmental and property contingent liabilities

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

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

Indemnities

Infrastructure leases with the Director of Public Transport (DPT)

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

Subject to the note below relating to 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).

The Consolidated Entity is the first named defendant in proceedings relating to injuries allegedly sustained by the plaintiff, Joshua Sorrell, 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).

The Consolidated Entity is the first named defendant in proceedings relating to injuries allegedly sustained by the plaintiff, Rhonda Youssef, as a result of a slip/trip at the Williamstown Railway Station car park. The parties in the proceedings are:

Rhonda Youssef (plaintiff),Victorian Rail Track (VicTrack) (first defendant) and Connex Melbourne Pty Ltd (second defendant).

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, Minster 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 2012)
- The Hon Kim Wells MP, Treasurer (December 2010 to June 2012)

Directors of the Board:

- Dr Bruce Cohen (retired 31 March 2012)
- Mr Chris Lovell (retired 31 March 2012)
- Ms Jenny Roche
- Ms Sam Andersen
- Mr Brian Bulluss (appointed 13 September 2011)
- Mr David Hunter (appointed 13 September 2011)
- Mr Tony Shepherd AO (appointed 25 October 2011) (Retired 15 July 2012)
- Mr Bob Annells (appointed 12 April 2012)
- Mr Yehudi Blacher (appointed 12 April 2012)

Accountable Officer:

- Mr Bob McDonald

Remuneration of Responsible Persons:

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

Income Band	Consolidated		Parent	
	2012 No.	2011 No.	2012 No.	2011 No.
$0,000 to $9,999	1	-	1	-
$20,000 to $29,999	2	-	2	-
$30,000 to $39,999	3	3	3	3
$40,000 to $49,999	2	-	2	-
$50,000 to $59,999	1	-	1	-
$60,000 to $69,999	-	1	-	1
$380,000 to $389,999	1	-	1	-
$410,000 to $419,999	-	1	-	1

Total Remuneration of Responsible Persons: $678,374 (2011: $590,376)

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 2012 included the total salary package received during the year and a performance bonus relating to the 30 June 2012 year. No long service leave was paid for the year ended 30 June 2012. The Accountable Officer's remuneration for the 30 June 2011 year 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 for the year ended 30 June 2011.

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

Notes to the Financial Statement (continued)

30 June 2012

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	
	2012 No.	2011 No.	2012 No.	2011 No.
<$100,000	-	2	-	2
$120,000 - $129,999	-	-	1	-
$130,000 - $139,999	-	-	2	-
$140,000 - $149,999	2	-	1	-
$150,000 - $159,999	1	2	3	2
$160,000 - $169,999	3	-	4	5
$170,000 - $179,999	2	5	1	-
$180,000 - $189,999	3	-	2	3
$190,000 - $199,999	1	2	1	2
$200,000 - $209,999	1	1	-	-
$210,000 - $219,999	1	1	2	1
$220,000 - $229,999	-	1	-	1
$230,000 - $239,999	-	-	2	-
$240,000 - $249,999	2	1	-	-
$250,000 - $259,999	-	1	-	-
$270,000 - $279,999	2	-	-	-
$360,000 - $369,999	1	-	-	-
Total numbers	**19**	**16**	**19**	**16**
Total annualised employee equivalent	**18.4**	**14.7**	**18.4**	**14.7**
Total amount	**$3,853,057**	**$2,855,082**	**$3,302,421**	**$2,618,525**

The Executive Officers' remuneration for the years ended 30 June 2011 and 30 June 2012 include the total salary package received during the year as well as performance bonuses relating to the years ended 30 June 2011 and 30 June 2012 respectively.

Note 22. Remuneration of auditors

	Consolidated		Parent	
	2012 $000	2011 $000	2012 $000	2011 $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	142	135	85	81
Total financial statement audit	**142**	**135**	**85**	**81**
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						
2012 Contractual financial assets						
Cash	-	-	5,154	-	-	5,154
Other financial assets	-	-	38,653	-	-	38,653
Trade and other receivables	-	-	28,960	-	-	28,960
Total contractual financial assets	**-**	**-**	**72,767**	**-**	**-**	**72,767**
Contractual financial liabilities						
Trade and other payables	-	-	-	-	57,809	57,809
Secured loan	-	-	-	-	303,914	303,914
Lease liability	-	-	-	-	689,592	689,592
Total contractual liabilities	**-**	**-**	**-**	**-**	**1,051,315**	**1,051,315**
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**

Notes to the Financial Statement (continued)

30 June 2012

Note 23. Financial risk management (continued)

Categorisation of financial instruments (continued):

	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						
2012						
Contractual financial assets						
Cash	-	-	3,432	-	-	3,432
Other financial assets	-	-	38,553	-	-	38,553
Trade and other receivables	-	-	155,380	-	-	155,380
Total contractual financial assets	**-**	**-**	**197,365**	**-**	**-**	**197,365**
Contractual financial liabilities						
Trade and other payables	-	-	-	-	54,683	54,683
Secured loan	-	-	-	-	-	-
Lease liability	-	-	-	-	1,931	1,931
Total contractual liabilities	**-**	**-**	**-**	**-**	**56,614**	**56,614**
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**

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					
2012					
Contractual financial assets					
Financial assets designated at fair value through profit/loss	-	-	-	-	-
Financial assets – loans and receivables	-	2,185	-	(209)	1,976
Financial assets available-for-sale recognised in net result	-	-	-	-	-
Financial assets available-for-sale recognised in other comprehensive result	-	-	-	-	-
Total contractual financial assets	**-**	**2,185**	**-**	**(209)**	**1,976**
Contractual financial liabilities					
Financial liabilities at amortised cost	-	-	-	-	-
Financial liabilities designated at fair value through profit/loss	-	-	-	-	-
Total contractual liabilities	**-**	**-**	**-**	**-**	**-**
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	**-**	**-**	**-**	**-**	**-**

Notes to the Financial Statement (continued)

30 June 2012

Note 23. Financial risk management (continued)

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

	Net holding gain/(loss) $'000	Total interest income/(expense) $'000	Fee income/(expense) $'000	Impairment loss $'000	Total $'000
PARENT					
2012					
Contractual financial assets					
Financial assets designated at fair value through profit/loss	-	-	-	-	-
Financial assets – loans and receivables	-	2,113	-	(209)	1,904
Financial assets available-for-sale recognised in net result	-	-	-	-	-
Financial assets available-for-sale recognised in other comprehensive result	-	-	-	-	-
Total contractual financial assets	**-**	**2,113**	**-**	**(209)**	**1,904**
Contractual financial liabilities					
Financial liabilities at amortised cost	-	-	-	-	-
Financial liabilities designated at fair value through profit/loss	-	-	-	-	-
Total contractual liabilities	**-**	**-**	**-**	**-**	**-**
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	**-**	**-**	**-**	**-**	**-**

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

- For cash and cash equivalents, loans or receivables and available-for-sale financial assets, the net gain or loss is calculated by taking the interest income, plus or minus foreign exchange gains or losses arising from revaluation of the financial assets, and minus any impairment recognised in the net result
- For financial liabilities measured at amortised cost, the net gain or loss is calculated by taking the interest expense, plus or minus foreign exchange gains or losses arising from the revaluation of financial liabilities measured at amortised cost
- For financial asset and liabilities that are held-for-trading or designated at fair value through profit or loss, the net gain or loss is calculated by taking the movement in the fair value of the financial asset or liability.

(a) Market risk

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

(i) Interest rate risk

Interest rate risk arises from the interest bearing financial assets and liabilities that VicTrack 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 2012 was 3.06% (2011: 3.94%). 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% (2011: 5.15%). Interest income earned on investments is variable. For the year ended 30 June 2012, the Consolidated Entity had interest bearing investments with a weighted average interest rate of 4.69% (2011: 4.87%).

(i) 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 Statement (continued)

30 June 2012

Note 23. Financial risk management (continued)

(a) Market risk (continued)

(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					
2012					
Financial assets					
Cash assets	3.06	5,154	-	5,083	71
Other financial assets	4.69	38,653	100	38,553	-
Trade and other receivables	-	28,960	-	-	28,960
Total financial assets		**72,767**	**100**	**43,636**	**29,031**
Financial liabilities					
Trade and other payables	-	57,809	-	-	57,809
Secured loan	5.37- 6.59	303,914	303,914	-	-
Finance lease	10.14	689,592	687,661	1,931	-
Total financial liabilities		**1,051,315**	**991,574**	**1,931**	**57,809**
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		**1,135,437**	**1,065,287**	**1,405**	**68,745**

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

Interest rate exposure of financial instruments

	Weighted average effective interest rate %	Carrying amount $'000	Fixed interest rate $'000	Variable interest rate $'000	Non-interest bearing $'000
PARENT					
2012					
Financial assets					
Cash assets	2.92	3,432	-	3,432	-
Other financial assets	4.69	38,553	-	38,553	-
Trade and other receivables	-	155,380	-	-	155,380
Total financial assets		**197,365**	**-**	**41,985**	**155,380**
Financial liabilities					
Trade and other payables	-	54,683	-	-	54,683
Secured loan	-	-	-	-	-
Finance lease	6.49	1,931	-	1,931	-
Total financial liabilities		**56,614**	**-**	**1,931**	**54,683**
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	-	-	48,019
Secured loan	-	-	-	-	-
Finance lease	6.59	1,931	-	1,931	-
Total financial liabilities		**49,424**	**-**	**1,931**	**48,019**

Notes to the Financial Statement (continued)

30 June 2012

Note 23. Financial risk management (continued)

(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 that have been customers of VicTrack for more than one year.

	Financial institutions (AAA credit rating) $'000	Government agencies (AAA credit rating) $'000	Total $'000
2012			
CONSOLIDATED			
Cash and cash equivalents	5,154	-	5,154
Other financial assets	-	38,653	38,653
	5,154	**38,653**	**43,807**
PARENT			
Cash and cash equivalents	3,432	-	3,432
Other financial assets	-	38,553	38,553
	3,432	**38,553**	**41,985**
2011			
CONSOLIDATED			
Cash and cash equivalents	5,177	-	5,177
Other financial assets	-	43,479	43,479
	5,177	**43,479**	**48,656**
PARENT			
Cash and cash equivalents	3,405	-	3,405
Other financial assets	-	43,379	43,379
	3,405	**43,379**	**46,784**

Ageing analysis of contractual financial assets

	Carrying amount $'000	Not past due and not impaired $'000	Past due but not impaired 31-90 days $'000	Past due but not impaired 91-180 days $'000	Past due but not impaired Over 180 days $'000	Impaired financial assets $'000
2012						
CONSOLIDATED						
Cash and cash equivalents	5,154	5,154	-	-	-	-
Other financial assets	38,653	38,553	-	-	100	-
Trade and other receivables	28,960	28,599	450	45	75	(209)
	72,767	**72,306**	**450**	**45**	**175**	**(209)**
PARENT						
Cash and cash equivalents	3,432	3,432	-	-	-	-
Other financial assets	38,553	38,553	-	-	-	-
Trade and other receivables	155,380	154,810	450	45	75	(209)
	197,365	**196,795**	**450**	**45**	**75**	**(209)**
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)**

(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 $69.5 million (2011: $79.1 million), the exposure to liquidity risk is deemed insignificant. The ability of the Consolidated Entity to continue paying its debts as and when they fall due is dependent upon existing contractual arrangements continuing to operate as originally intended. Such agreements ensure sufficient contributions are made by the Victorian Government to cover the Consolidated Entity's contractual commitments. There are no financial liabilities that are past due.

(d) Maturity of financial assets/ liabilities

The tables below analyse the 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.

Notes to the Financial Statement (continued)

30 June 2012

Note 23. Financial risk management (continued)

(d) Maturity of financial assets/ liabilities (continued)

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
2012					
CONSOLIDATED					
Liquid financial assets					
Cash and cash equivalents	5,154	-	-	5,154	5,154
Other financial assets	38,653	-	-	38,653	38,653
	43,807	**-**	**-**	**43,807**	**43,807**
Financial liabilities					
Trade and other payables	57,809	-	-	57,809	57,809
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
	138,668	**447,253**	**538,579**	**1,124,502**	**1,124,502**
Net inflow/(outflow)	**(94,861)**	**(447,253)**	**(538,579)**	**(1,080,695)**	**(1,080,695)**
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)**

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
2012					
PARENT					
Liquid financial assets					
Cash and cash equivalents	3,432	-	-	3,432	3,432
Other financial assets	38,553	-	-	38,553	38,553
	41,985	**-**	**-**	**41,985**	**41,985**
Financial liabilities					
Trade and other payables	54,683	-	-	54,683	54,683
Due to related parties					
Secured loans	-	-	-	-	-
Finance leases	941	990	-	1,931	1,931
	55,624	**990**	**-**	**56,614**	**56,614**
Net inflow/(outflow)	**(13,639)**	**(990)**	**-**	**(14,629)**	**(14,629)**
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)**

Notes to the Financial Statement (continued)

30 June 2012

Note 23. Financial risk management (continued)

(e) Sensitivity analysis and assumptions

The Consolidated Entity's sensitivity to market risk is determined based on the observed range of actual historical data for processing five year period, with all variable other than the primary risk variable held constant. The Consolidated Entity's management 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 (2011: 100 basis points up and 100 basis points down) in market interest rates (AUD).

The following tables disclose the impact on the Consolidated Entity's 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:

Market risk exposure	Interest rate risk				
	Carrying amount subject to interest	-1.0%		1.0%	
		Net result	Revaluation reserve	Net result	Revaluation reserve
	$'000	$'000	$'000	$'000	$'000
2012					
Financial assets:					
Cash and cash equivalents	5,083	(45)	-	45	-
Other financial assets	38,653	(436)	-	436	-
Trade and other receivables	28,960	-	-	-	-
Financial liabilities:					
Trade and other payables	57,809	-	-	-	-
Interest-bearing loans and borrowings	993,506	-	-	-	-
Total increase/(decrease)		**(481)**	**-**	**481**	**-**
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**	**-**

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

Sensitivity analysis – Parent

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

Market risk exposure	Interest rate risk				
		-1.0%		1.0%	
	Carrying amount subject to interest	Net result	Revaluation reserve	Net result	Revaluation reserve
	$'000	$'000	$'000	$'000	$'000
2012					
Financial assets:					
Cash and cash equivalents	3,432	(22)	-	22	-
Other financial assets	38,553	(436)	-	436	-
Trade and other receivables	155,380	-	-	-	-
Financial liabilities:					
Trade and other payables	54,683	-	-	-	-
Interest-bearing loans and borrowings	1,931	-	-	-	-
Total increase/(decrease)		**(458)**	**-**	**458**	**-**
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**	**-**

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 Statement (continued)

30 June 2012

Note 23. Financial risk management (continued)

(f) Sensitivity analysis – Consolidated (continued)

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:

	2012		2011	
	Carrying amount $'000	Net fair value $'000	Carrying amount $'000	Net fair value $'000
CONSOLIDATED				
Financial assets				
Cash assets	5,154	5,154	5,177	5,177
Other financial assets	38,653	38,653	43,479	43,479
Trade and other receivables	28,960	28,960	26,493	26,493
Total financial assets	**72,767**	**72,767**	**75,149**	**75,149**
Financial liabilities				
Trade and other payables	(57,809)	(57,809)	(68,745)	(68,745)
Borrowings	(993,506)	(989,644)	(1,066,692)	(992,141)
Total financial liabilities	**(1,051,315)**	**(1,047,453)**	**(1,135,437)**	**(1,060,886)**
Net financial assets	**(978,548)**	**(974,686)**	**(1,060,288)**	**(985,737)**
PARENT				
Financial assets				
Cash assets	3,432	3,432	3,405	3,405
Other financial assets	38,553	38,553	43,379	43,379
Trade and other receivables	155,380	155,380	153,224	153,224
Total financial assets	**197,365**	**197,365**	**200,008**	**200,008**
Financial liabilities				
Trade and other payables	(54,683)	(54,683)	(48,019)	(48,019)
Borrowings	(1,931)	(1,931)	(1,405)	(1,405)
Total financial liabilities	**(56,614)**	**(56,614)**	**(49,424)**	**(49,424)**
Net financial assets	**140,751**	**140,751**	**150,584**	**150,584**

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:

The 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.

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	5
Management and structure		
FRD 22B	Organisational structure	87
Financial and other information		
FRD 8B	Budget portfolio outcomes	N/A
FRD 10	Disclosure index	80
FRD 12A	Disclosure of major contracts	N/A
FRD 15B	Executive officer disclosures	64
FRD 22B	Operational and budgetary objectives and performance against objectives	15
FRD 22B	Employment and conduct principles	88
FRD 22B	Occupational health and safety policy	4
FRD 22B	Summary of the financial results for the year	15
FRD 22B	Significant changes in financial position during the year	15
FRD 22B	Major changes or factors affecting performance	15-16
FRD 22B	Subsequent events	N/A
FRD 22B	Application and operation of *Freedom of Information Act 1982*	13
FRD 22B	Compliance with building and maintenance provisions of *Building Act 1993*	13
FRD 22B	Statement on National Competition Policy	14
FRD 22B	Application and operation of the *Whistleblowers Protection Act 2001*	14
FRD 22B	Details of consultancies over $100,000	13
FRD 22B	Details of consultancies under $100,000	13
FRD 22B	Statement of availability of other information	13
FRD 24C	Reporting of office-based environmental impacts	N/A
FRD 25A	Victorian Industry Participation Policy disclosures	14
FRD 29	Workforce Data disclosures	87
SD 4.5.5	Risk management compliance attestation	N/A
SD 4.2(g)	General information requirements	N/A
SD 4.2(j)	Sign-off requirements	19

Legislation	Requirement	Page reference
FINANCIAL REPORT		
Financial statements required under Part 7 of the FMA		
SD4.2(a)	Statement of Changes in Equity	22-23
SD4.2(b)	Operating Statement	20
SD4.2(b)	Balance Sheet	21
SD4.2(b)	Cash flow Statement	24
SD4.2(c)	Compliance with Australian accounting standards and other authoritative pronouncements	25
SD4.2(c)	Compliance with Ministerial Directions	12
SD4.2(d)	Rounding of amounts	35
SD4.2(c)	Accountable officer's declaration	19
Other disclosures as required by FRDs in notes to the financial statements		
FRD 9A	Departmental disclosure of administered assets and liabilities	N/A
FRD 11	Disclosure of ex gratia payments	N/A
FRD 13	Disclosure of parliamentary appropriations	N/A
FRD 21A	Responsible person and executive officer disclosures	63
FRD 102	Inventories	46
FRD 103D	Non-current physical assets	31
FRD 104	Foreign currency	69
FRD 106	Impairment of assets	30
FRD 109	Intangible assets	33
FRD 107	Investment properties	N/A
FRD 110	Cash flow statements	24
FRD 112C	Defined benefit superannuation obligations	60
FRD 113	Investments in subsidiaries, jointly controlled entities and associates	N/A
FRD 114A	Financial instruments – General Government Entities and public non-financial corporations	65
FRD 119	Contribution by owners	22-23
LEGISLATION		
Freedom of Information Act 1982		13
Building Act 1983		13
Whistleblowers Protection Act 2001		14
Victorian Industry Participation Policy Act 2003		14
Financial Management Act 1994		25

Appendices

Crossing Upgrades 2011-2012

State Level Crossing Upgrade and Pedestrian Upgrade Programs 2011-12 (Total 29 Upgrades)

Location	Treatment	
Aitken Drive, Warrnambool	Flashing Lights to Boom Barriers	1
Bear Street, Mordialloc (1)	Pedestrian Booms to Pedestrian Gates	1
Bear Street, Mordialloc (2)	Pedestrian Booms to Pedestrian Gates	1
Dalvui Lane Rail Crossing Polwarth, Terang	Passive to Boom Barriers	1
Down end of platform Lara, Lara	DDA Compliance	1
Disney Street, Crib Point	DDA Compliance	1
Dwarroon Road, Cudgee	DDA Compliance	1
Dwarroon Road, Cudgee	Passive to Boom Barriers	1
Heath Marsh Road, Panmure	Passive to Boom Barriers	1
High Street (1), Shepparton	Maze to Pedestrian Gates	1
High Street (2), Shepparton	Maze to Pedestrian Gates	1
Holdsworth Road (Long Gully-White Hills Rd), Bendigo	Flashing Lights to Boom Barriers	1
Holdsworth Road (Long Gully-White Hills Rd), Bendigo (1)	DDA Compliance	1
Holdsworth Road (Long Gully-White Hills Rd), Bendigo (2)	DDA Compliance	1
Mahoneys Road, Warrnambool	DDA Compliance	1
Mahoneys Road, Warrnambool	Flashing Lights to Boom Barriers	1
Mc Donald Street, Mordialloc	Pedestrian Booms to Pedestrian Gates	1
McGregor Road Pakenham	Pedestrian Booms to Pedestrian Gates	1
Mollison Street (Kyneton-Trentham Rd), Kyneton	DDA Compliance	1
Nelson Street, Bendigo	DDA Compliance	1
Nelson Street, Bendigo	Flashing Lights to Boom Barriers	1
Prouses Road, Bendigo	DDA Compliance	1
Prouses Road, Bendigo	Flashing Lights to Boom Barriers	1
Station Road, Gisborne	DDA Compliance	1
Threfalls Lane, Longwood	Level Crossing Closure	1
Thunder Street, Bendigo	DDA Compliance	1
Thunder Street, Bendigo	Flashing Lights to Boom Barriers	1
Tip Crossing, Warrnambool	Passive to Boom Barriers	1
Weeroona Avenue, Bendigo	Flashing Lights to Boom Barriers	1

Fix Country Level Crossing Upgrade Program FY2011-12 (Total 11 Upgrades)

Location	Treatment	
Boorcan Road, Boorcan	Flashing Lights to Boom Barriers	1
Cape Otway Road, Moriac	Flashing Lights to Boom Barriers	1
Cobden - Stonyford Road, Stonyford	Flashing Lights to Boom Barriers	1
Hunt Place, Wurruk	Flashing Lights to Boom Barriers	1
Longford Road, Rosedale	Flashing Lights to Boom Barriers	1
Minniedale Road North, Traralgon	Flashing Lights to Boom Barriers	1
Princes Highway (Dawson Street), Stratford	Flashing Lights to Boom Barriers	1
Riverview Road, Mooroopna	Flashing Lights to Boom Barriers	1
Sale-Cowarr Road, Fulham	Flashing Lights to Boom Barriers	1
Swan Marsh Road, Pirron Yallock	Flashing Lights to Boom Barriers	1
Willung Road, Rosedale	Flashing Lights to Boom Barriers	1

Notes:
1. Upgrades on behalf of Department of Transport

Appendices

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 seven independent, non-executive Directors – Bob Annells (Chair), Yehudi Blacher (Deputy Chair), Sam Andersen, Brian Bulluss, David Hunter, Jenny Roche and Tony Shepherd.

Bob Annells

Chair

Bob was appointed to the Board in April 2012 and has extensive public and private sector experience in transport, land administration and project delivery. He is a qualified land valuer and town planner and, in an extensive public sector career, has held several head of department positions including Director General of the Department of Lands, Parks and Wildlife in Tasmania and Chief Executive of the Melbourne Docklands Authority. He established his own consultancy business in 1999 before joining the Veolia Transport Group as Executive Chairman of Connex Melbourne, the operator of the Melbourne metropolitan rail franchise. In this role he was also Chairman of Mainco Melbourne and Chairman of Veolia Transport Australia, one of the largest transport companies in the Australia-Pacific region. He finished his involvement with all these companies in 2008.

Bob was appointed Executive Chairman of the freight rail company Tasrail in 2009 and remains as Chairman of that company. Amongst a number of other Board roles he has been Chairman of the Melbourne Convention and Exhibition Centre Trust since 1998 and has held a number of key roles in the Australian tourism industry. He was awarded the Public Service Medal in the 2001 Queens Honours List.

Yehudi Blacher – PSM, B.A.(Hons), M.A., F.I.P.A.(Vic)

Deputy Chair

Yehudi was appointed a Director and Deputy Chair of VicTrack in April 2012. Yehudi brings extensive public sector experience to the Board, including land-use planning and strategic management. Yehudi was the Secretary of the Victorian Department of Planning and Community Development from 2002 to 2011. He also held Deputy Secretary level positions in the Department of Premier and Cabinet and the Department of Human Services. From 1991 to 1996 he was head of the Victorian Office of Local Government. He is a Fellow of the IPAA (Victoria) and a Professorial Fellow at Melbourne University.

Yehudi was appointed as the inaugural Chair of the Port of Hastings Development Authority in 2012 and has been a member of the Monash University Council since 2008.

Sam Andersen – LLB, CPA, FAICD, FFinsia

Director

Sam Andersen was appointed a Director of VicTrack in 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 Grain Growers Limited and a 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-Emedia.com Ltd. Her previous directorships include Rural Finance Corporation Limited, Superpartners Pty Ltd, Victorian Funds Management Corporation and Multi-Emedia.com Ltd.

Brian Bulluss

Director

Brian Bulluss was appointed a director of VicTrack in September 2011. Brian is a Procurement Project Manager with CPA Australia, the professional association for accountants. His expertise is in procurement, IT, telecommunications and property. Brian was formerly a National Project Manager for Telstra. His education background includes Facilities Management (Melbourne University) and Commercial Property Management (Macquarie University).

David Hunter – FIE Aust, Dip BA, GAICD

Director

David Hunter was appointed a director of VicTrack in September 2011. David Hunter is a civil engineer specialising in strategic planning for physical and social infrastructure. David has more than 38 years' experience as a civil engineer, company director and manager, including 17 years in local government and 21 years in private practice. He has held senior management and directorship roles, including Director of Coomes Consulting Group and Director and Executive General Manager, Market Development role at Downer EDI Consulting (CPG). Since retiring from full-time employment, David has established a part-time consultancy providing strategic advice to key clients.

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.

Tony Shepherd – BComm

Director

Tony Shepherd, a highly respected business leader, was appointed a Director of VicTrack in October 2011 and resigned in July 2012 because of work commitments. Tony is President of the Business Council of Australia, Chairman of Transfield Services Ltd, Chair of AFL team Greater Western Sydney and a former Chair of ConnectEast.

Bruce Cohen – PhD, MComm (Hons), LLB (Hons)

Immediate Past Chair

Bruce Cohen was appointed a Director of VicTrack in January 2005 and Chair on 1 April 2010. He retired as a Director and Chair on 31 March 2012. Bruce was also the Chair of the VicTrack Human Resources Committee, a member of the Telecommunications Committee and the Heritage Advisory Panel.

Chris Lovell – BA, LLM (London)

Immediate Past Deputy Chair

Chris Lovell was appointed a Director of VicTrack in January 2005 and Deputy Chair on 1 April 2010. Chris retired as Deputy Chair and Director on 31 March 2012. He was the former Chair of the VicTrack Audit and Risk Management Committee, the Property and Environment Committee and the Heritage Advisory Panel.

Appendices

Consultant table

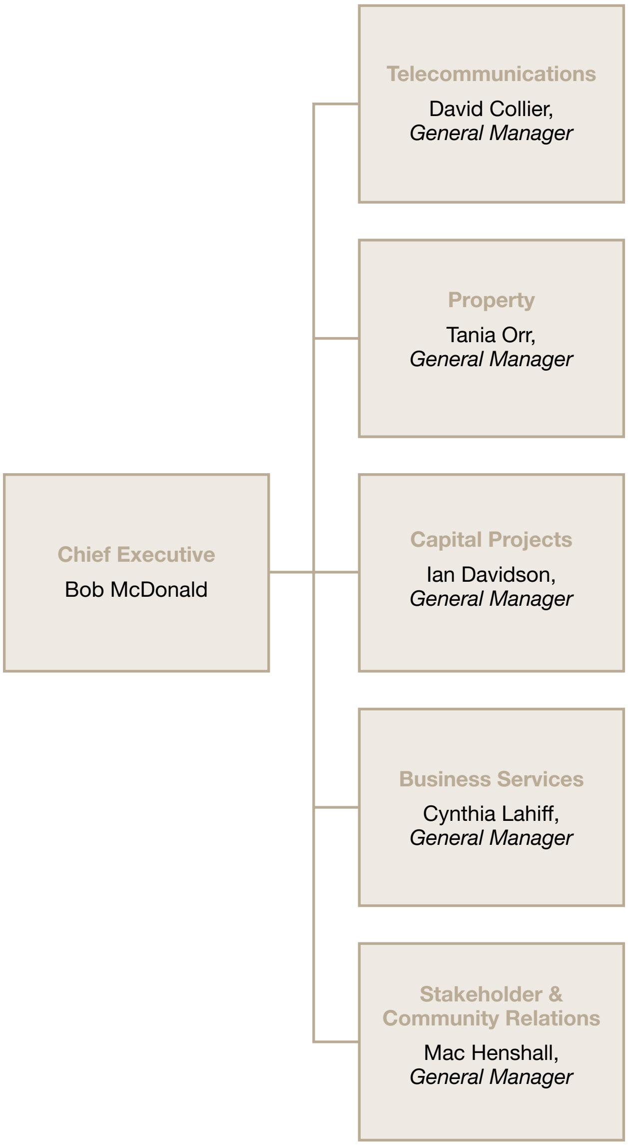
				($)		
Consultant	Purpose of consultancy	Start date	End date	Total approved project fee (excluding GST)	Expenditure 2011-12 (excluding GST)	Future expenditure (excluding GST)
TELECOMMUNICATIONS						
IBM	Security review of iGSN/ NGN connectivity	15-Feb-12	05-Mar-12	12,000	11,000	-
Attribute Consulting	Field Marketing Strategy – Telecommunications technology and strategy	21-Sep-11	16-Dec-11	23,400	23,400	-
Attribute Consulting	UC, Cloud and Ethernet Field Marketing Collateral	19-Dec-11	13-Apr-12	47,500	46,534	-
Attribute Consulting	Microsoft Access Programming	06-Jul-11	30-Jul-11	23,108	23,108	-
Attribute Consulting	Data Centre Operational Procedures	02-Apr-12	30-Apr-12	17,100	5,225	-
Attribute Consulting	Workflow process and standards development	05-Jul-11	06-Oct-11	165,300	165,300	-
Attribute Consulting	DTRS Test Procedure and other project documentation support	16-Jan-12	30-Mar-12	40,000	38,992	-
UXC Consulting	Telco operating model – Telecommunications technology and strategy	12-Sep-11	10-Feb-12	145,000	103,058	-
Stratica	Wireless access architecture	31-Jan-12	06-Feb-12	25,000	25,000	-
Ericsson	Unified Communications pricing analysis and model	24-Nov-11	19-Jan-12	25,000	25,000	-
Australian Project and Consulting Services Pty Ltd (Shelde)	26/9/11 Interim Cloud Risk Analysis based on the architecture/design	17-Oct-11	21-Oct-11	10,285	9,350	-
VMware	3/1/12 Implementation of Interim Cloud solution	09-Jan-12	03-Feb-12	62,832	62,832	-
4Tel Pty Ltd (2 engagements)	RRCN Project – Scoping of a voice communications system	09-Mar-12	30-Sep-12	18,000	18,000	-
				614,525	**556,799**	**-**
STAKEHOLDER & COMMUNITY RELATIONS						
ORC International	Market research and advice	01-Aug-11	01-Feb-12	16,600	16,600	-
Socom	Annual stakeholder survey	01-Mar-12	01-Jul-12	25,500	25,500	-
Deloitte Digital	Social media strategy and roadmap	01-Mar-12	01-Aug-12	22,500	22,500	-
				64,600	**64,600**	**-**
Total				**679,125**	**621,399**	**-**

Executive team and organisational structure

The organisational structure as at 30 June 2012

Staff numbers

	Total	Male	Female
All staff	362	277	85
Full time staff	293	222	71
Part time staff	9	2	7
Fixed term temporary staff	60	53	7
Casual staff	0	0	0
By age group			
Under 25 years	1	1	0
25-34	85	53	32
35-44	107	85	22
45-54	108	87	21
55-64	55	45	10
65 +	6	5	1



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

Respect: We respect individuals – employees, customers and our stakeholders

We will:
> Encourage feedback and actively listen
> Embrace diversity – age, gender and culture
> Always strive to improve communication

Professionalism: We strive for excellence in everything we do

We will:
> Conduct ourselves with pride and high standards
> Value learning and self-improvement
> Promote leadership and lead by example

Achievement: We always deliver on our goals and commitments

We will:
> Challenge ourselves by setting innovative goals
> Strive for success
> Stay focused on our commitment

One Team: We stand for each other's success

We will:
> Work together to achieve success
> Work collaboratively
> Celebrate as one when we achieve success

Authorised and produced by

VicTrack
GPO Box 1681
Melbourne VIC 3001

If you would like to receive this publication in an accessible format, please telephone VicTrack on 1300 VICTRACK (1300 8428 7225).

Printed by Doran Printing **www.doran.com.au**
Designed by Campbell Design Group **www.cdgroup.biz**

VicTrack Head Office
Level 8, 1010 LaTrobe Street
Docklands Vic 3008

Telephone: 1300 VICTRACK (1300 8428 7225)
Facsimile: 03 9619 8851

www.victrack.com.au