VicTrack

2012-13 Annual Report

State Government Victoria

Letter to Ministers

11 September 2013

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

The Hon Michael O'Brien
Treasurer
Level 4, 1 Treasury Place
Melbourne VIC 3002

Dear Ministers

I have much pleasure in submitting the Annual Report for VicTrack for the period 1 July 2012 to 30 June 2013 for your presentation to Parliament.

Yours sincerely

Bob Annells PSM
Chair

Front page images: Artist's impression of Jewell Station Precinct (main picture) and (l-r) Dynon Rail Freight Terminal hardstand replacement; LandCare volunteers tree planting on VicTrack land at Point Lonsdale; unified communications at V/Line's headquarters.

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Part One: About VicTrack

VicTrack – a snapshot

Victorian Rail Track – 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.

The IKON Glen Waverley development is on track for completion by the end of 2013.

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; to dispose of or develop land surplus to transport requirements; provide civil engineering services to upgrade transport infrastructure 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 activities funds its operations and projects and the large financial obligations that come with its extensive land and telecommunications assets. VicTrack has from its inception been self-funded.

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 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 Victoria's railway land and also its infrastructure and, through the Rolling Stock Holding group of companies, 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 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, Planning and Local Infrastructure (DTPLI), the Department of Treasury and Finance, public transport franchisees, the Department of State Development, Business and Innovation (DSDBI), telecommunications carriers, VicRoads, local councils and a broad range of other stakeholders and community groups.

Chair's Report

VicTrack has continued to exercise its responsibilities to be the custodian of land set aside for transport purposes, to provide telecommunication services to enable the public transport network to operate, and to undertake a range of commercial and custodial activities in line with its charter.

VicTrack's unified communications platform provides smarter and more efficient communications to public transport partners.

A key objective is to be self-funding, in that the revenue derived from managing VicTrack's large property assets, including the sale and development of surplus land, and funds from telecommunication activities enable VicTrack to operate without relying on funding via the State Budget.

To date VicTrack has been able to meet this objective, but to continue to do so has expanded the range and scope of its commercial activities wherever prudent to do so.

During the year VicTrack energetically pursued its mandate to provide enhanced public transport outcomes without relying on State Budget funding, resulting in a number of significant achievements across its wide spectrum of activities.

With specific funding provided by the State Government, VicTrack upgraded 35 level and pedestrian crossings across the State, nine more than the year's targets. This included completing 16 projects funded under the Government's *Fix Country Level Crossings Program*, which has boosted the impact of the ongoing upgrade program.

VicTrack also oversaw the installation of 80 km/h speed signs at rail crossings on local roads across Victoria, and worked closely with VicRoads on projects to integrate road and rail signalling.

Work progressed on the preliminary design stages of the planned new Grovedale station near Geelong and on behalf of PTV, VicTrack provided more than 550 new commuter parking spaces at stations across metropolitan Melbourne.

VicTrack's telecommunications network is a critical infrastructure asset for the State and an essential service for all Victorians. Without it, and the expertise of VicTrack's technical staff, rail services could not operate. Work continued with PTV and Victoria's train operators on a range of technology projects to improve the reliability, safety and accessibility of public transport.

VicTrack completed the fibre transmission network for a digital train communication system for metropolitan rail services and to date has made an investment in the project of approximately $10m from its own funds. Significant progress was also made in rolling out a modern digital communications system for V/Line that replaces out-dated technology.

VicTrack also delivered a new unified communications platform to V/Line during the year. This has placed VicTrack at the forefront of providing smarter and more efficient communications technology to our public transport partners.

Part One: About VicTrack

Chair's Report (continued)

VicTrack continues to proactively use the extensive assets under its control to deliver improved telecommunication services to the wider government sphere. This has also delivered new revenue streams. Completion of work on the $10 million Victorian Fibre Strategy along the Geelong-Warrnambool rail corridor is an exciting initiative that will enable high capacity broadband that will improve the delivery of health, education and other government services for south west Victoria.

VicTrack has played a key role in the delivery of more than 550 extra commuter parking spaces across the metropolitan rail network. Minister for Public Transport Terry Mulder (centre) with Members for Western Region Bernie Finn (left) and Andrew Elsbury are pictured at the North Williamstown station.

With the strong support of the Victorian Government, VicTrack continued to progress opportunities to partner with the private sector to improve station precincts and contribute to urban renewal. In this vein, a place-making project was concluded for a potential development at Jewell station and significant planning work undertaken for future residential developments at a number of suburban train station precincts.

The IKON Glen Waverley development has reached ten storeys and is on track for completion at the end of 2013.

In discharging its extensive custodial obligations, VicTrack spent $10.8 million on activities resulting from 80 asbestos audits, 30 remediation assessments and maintenance reviews of numerous heritage buildings.

In a separate project, considerable resources were devoted to the Ballarat Station Precinct Masterplan process, which will examine the future use and development of the site over the next 50 years.

VicTrack's achievements are only possible through close collaboration with many stakeholders across the transport and other sectors in which VicTrack operates. I would like to thank them all for the part they play in achieving VicTrack's mission.

The experience and dedication of VicTrack's Board of Directors are outstanding and has again contributed significantly to a successful year. My sincere thanks go to the current Board members Sam Andersen, Brian Bullus, David Hunter, Jenny Roche, Michael Trumble and Deputy Chair Yehudi Blacher.

I would also like to thank the Minister for Public Transport, Terry Mulder, for his continued strong support and interest in advancing the ability of the organisation to deliver transport and broader government outcomes.

The efforts and commitment of VicTrack staff under the leadership of new Chief Executive Campbell Rose deserves particular acknowledgement. VicTrack's workforce has delivered impressive results across the board in a challenging financial environment.

Finally, I would also like to acknowledge Cynthia Lahiff for leading the organisation for a substantial period during the year.

Bob Annells PSM
Chair

Core functions and business units

VicTrack's structure consists of three main departments supported by business services including finance, human resources, legal, IT, occupational 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, and
- 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 in station precincts
- licensing third parties to access land within the rail corridors
- land sales and acquisitions
- maintaining infrastructure and property that is not leased to other parties
- maintaining VicTrack's Rail Safety Accreditation
- managing and developing key rail-based sites in Melbourne and providing fair and competitive rail track access to strategic central Melbourne areas, including the Dynon Rail Freight Terminal
- managing heritage buildings and heritage rolling stock assets
- maintaining and improving the yield of VicTrack's outdoor advertising portfolio, and
- managing environmental risk associated with contaminated land and asbestos, and improving biodiversity both on land managed by VicTrack and that leased to other parties.

Capital Projects

The Capital Projects Department is responsible for:

- project managing the Victorian Government's Statewide Level Crossing Upgrade Program for PTV (which includes the *Disability Discrimination Act 1992* upgrade program) and the Fix Country Level Crossings Program
- administering the Australian Level Crossing Assessment Model (ALCAM) system and database, and managing a program of level crossing safety research and development
- project management of new stations, bridges and other rail infrastructure and upgrades to existing stations, car parks and other assets
- delivering rail-related projects for VicRoads and local councils
- managing the Rail Skills Centre – Victoria, and
- leading VicTrack's approach to project management and its reporting and improvement.

Part Two: Outcomes Report

Delivering value to transport

Safer transport services and infrastructure

Highlights 2012-13

- Victorian Government-funded safety upgrades were completed at 35 level and pedestrian crossings across Victoria in 2012-13, which exceeded the agreed target of 26 with DTPLI/PTV.

VicTrack upgraded three crossings on the Puffing Billy Tourist Railway among 35 level and pedestrian crossings across the state.

Highlights of the program were:

- completion of 16 crossings in the Terang, Bendigo, Kerang, Greater Shepparton and South Barwon regions under the Fix Country Level Crossing Program. The crossings had flashing lights and boom barriers installed. Five crossings were upgraded in the Camperdown area under the Statewide Level Crossing Upgrade Program.
- upgrading three level crossings on the Puffing Billy Tourist Railway and two on the Bellarine Tourist Railway
- upgrading three pedestrian crossings from boom barriers to *Disability Discrimination Act* compliance with active gated crossings at Highett and Croydon.

- Work was completed on a $300,000 project to integrate road and rail signalling at Highett, funded by Woolworths. The work mitigated queuing at the level crossing, generated by additional road traffic to the nearby supermarket.
- Duplication of the Clyde Road, Berwick level crossing was completed to allow VicRoads to finish a major road widening project. The $3.5 million project included installation of two new pedestrian crossings and electrical overhead work.
- VicTrack oversaw a project to install 80 kilometre-per-hour speed signs at rail crossings on local roads across regional Victoria. VicTrack sourced the road signs and identified a proposed list of sites in each regional municipality.
- Work began on a new pedestrian footbridge from the Box Hill Cemetery across the Belgrave and Lilydale rail line. The steel truss bridge will provide a safe and accessible crossing, following the removal of an at-grade pedestrian crossing at Box Hill in 2007 as part of the Middleborough Road Grade Separation project.
- A fibre transmission network that supports the new metropolitan Digital Train Radio System project was completed. The system will replace the existing legacy Urban Train Radio system with a modern digital system that improves reliability and operations.
- VicTrack delivers a complete communications service to V/Line for control of the regional train network. The Regional Rail Communications Network (RRCN) project will deploy the National Train Communications System (NTCS) and replace the existing and obsolete Non-Urban Train Radio (NUTR) system used by V/Line with a modern digital system that improves reliability and operations.

  During the year procurement for the project was completed and testing and training commenced. The project is scheduled for completion by 2018.

Well-targeted improvements and maintenance to transport system assets

Highlights 2012-13

- A $1.5 million project to deliver telecommunications services to two new stations, at Diggers Rest and Sunbury, was completed as part of the Sunbury Electrification Project. The work included five new sub-stations and three new radio sites.

  VicTrack also delivered services to support the operational communications systems for the new Williams Landing station, plus emergency and alarm monitoring for the station lifts.
- VicTrack completed preliminary work on the new Grovedale station near Geelong. Work to deliver the station, associated track and signalling work, car parking and the station precinct, including a bus and taxi bay, will commence in early 2014. The station will provide improved public transport access for Geelong's fast growing southern suburbs.
- VicTrack completed $1.6 million in bridge refurbishment projects at Inverleigh, Hamilton and Stawell under the Bridge Renewal Program. An additional $100,000 was spent stabilising the former rail bridge at Cavendish.

VicTrack has played a key role in the delivery of more than 550 extra commuter parking spaces across the metropolitan rail network under the following initiatives:

- VicTrack undertook substantial works to upgrade the commuter car park at North Williamstown station, funded from the proceeds of the sale of land in Power Street, Williamstown to the Department of Health for a future aged care site.

  Works included upgrading the existing unmarked car parking area and constructing on-street parking, delivering 50 formal car spaces (40 new spaces), installing new lighting, footpaths and landscaping to improve pedestrian access, providing disabled parking, a taxi-bay, short-term parking and a 'park-and-ride' bay.
- VicRoads gave approval for VicTrack's proposed design of an alternative access road from Merinda Park station in Cranbourne which allowed the complete car park extension at the station to be opened, adding approximately 350 commuter spaces.
- Ninety-two new parking spaces were provided at Werribee station as part of a car park upgrade and 105 spaces at Pakenham station. Detailed design work was completed for a car park upgrade at Watergardens station.

- Work was completed on the demolition of the former Melbourne Wholesale Fishmarket site, which will become a truck service centre with truck parking, driver amenities and ancillary retail activities. It will serve as an area for trucks to park while waiting to enter the Melbourne port precinct, removing the need for trucks to line up along Footscray Road.
- VicTrack concluded a land swap with Yarra Ranges Shire Council, benefitting communities in Healesville and Mooroolbark. The council now controls a parcel of land in Healesville that includes the Labyrinth Gardens and playground. VicTrack took ownership of land in Manchester Road, Mooroolbark that was being used for overflow commuter parking. The transfer enabled its upgrade to commuter parking.
- VicTrack progressed the relocation of the Creek Sidings rail maintenance facility to McIntyre, funded by Regional Rail Link (RRL), which acquired the Creek Sidings. Work included the installation of nearly two kilometres of track, a new crane, signalling work and decommissioning of the Creek Sidings. The project will give VicTrack a new facility for standard and broad gauge wagon maintenance.

Part Two: Outcomes Report

Delivering value to transport (continued)

- An $8.9 million project to replace the concrete hardstand at the Dynon Rail Freight Terminal was completed. The project included replacing an old sub-station with a new and more efficient system to future-proof power supplies, and associated track works.

  Qube, a VicTrack tenant at the terminal, took over former tenant Amcor's site during the year, enabling VicTrack to reopen a section of rail line and service more trains. Due to softer economic conditions, container throughput dropped from 125,000 in 2011-12 to 114,000 in 2012-13. New rail business accessing the former road-only AMCOR shed is forecast to increase throughput at the terminal in 2013-14.
- VicTrack has an integral role as land manager and tele-communications provider for the $4.8 billion RRL project funded jointly by the Victorian and Commonwealth governments. RRL will provide dedicated tracks for regional trains through the metropolitan system between Sunshine and Southern Cross stations. VicTrack will provide signalling and train control systems on a new regional route between West Werribee and Deer Park, including new stations at Tarneit and Wyndham Vale.

  VicTrack's RRL project team supported each of the seven work packages in the main RRL project.

  Key activities included:
  - procurement and storage of optical fibre and installation of copper and optical fibre cabling for enabling works associated with relocation of VicTrack's existing operational network
  - service relocations, supervision of installations and network protection activities
  - design and construction work on all work packages
  - design and implementation of radio solutions and type approval testing of base stations
  - liaison with leaseholders and the Regional Rail Link Authority on a range of leasing issues
  - provision of managed services, and
  - liaison and management of environmental issues, including contaminated land, asbestos and biodiversity issues.

    On completion, VicTrack will own, manage and operate the RRL telecommunications infrastructure, including fibre used for signalling.
- VicTrack worked with the Pyrenees Shire Council, DTPLI and Regional Development Victoria to install four new culverts under the Ararat rail corridor at Beaufort. The $3 million project will protect the Beaufort township and road and rail infrastructure from a one-in-a-hundred-year flood event.

Integrating transport and urban renewal

Highlights 2012-13

- VicTrack commenced planning and design work on a refurbish-ment of the Glen Waverley railway station forecourt, funded from proceeds from the adjacent $70 million IKON mixed-use development. The project will be integrated with, and will complement, the IKON project.

  The forecourt design incorporates feedback from station users and will include improved disability compliant ramps, improved public seating, a new entrance canopy and a new kiosk. Work on the forecourt will commence on completion of the IKON project.

  The IKON 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, which is scheduled for completion by 31 December 2013.
- VicTrack is investigating a potential residential, office and retail development at the Jewell station precinct in Brunswick, along with improvements to the station and surrounding land. During the year, VicTrack concluded a place-making initiative for the precinct with the local community, station users, the City of Moreland and other stakeholders providing input into the 'vision' for the site.

- Pascoe Vale station received a new access ramp and repainted passenger shelter with proceeds from the sale of land in Gaffney Street, Pascoe Vale. An affordable housing development of 28 studio, one and two-bedroom apartments plus a supermarket was built on the Gaffney Street land.
- VicTrack sold land in central Tatura to Tatura Milk Industries (TMI) to enable the company to proceed with major expansion plans. The 2.6 hectare parcel of land, no longer required for transport purposes, was previously leased to TMI.
- VicTrack is leading a $300,000 transport precinct masterplan for Ballarat railway station and is co-funding the project with the City of Ballarat, Regional Development Victoria and DTPLI. The masterplan will examine the use and development of the station precinct over the next 50 years, considering issues including under-used land, lack of parking and connection to Ballarat's CBD. The masterplan is due in early 2014.
- VicTrack sold land in Glenhuntly to Woolworths, enabling it to upgrade its supermarket and car park facilities. VicTrack secured designated parking for the Glen Eira University of the Third Age (U3A) as part of the sale and provided the U3A with a 99-year lease for the land where it is based.

Managing environmental challenges

Highlights 2012-13

- Asbestos audits and remediation works were completed at more than 80 sites in VicTrack's property portfolio as part of a rolling five-year program.
- VicTrack completed more than 30 contaminated land assessments to identify potential environmental or health risks resulting from historical land use or poor management practices. Sites where contamination was identified were investigated further, monitored and remediated where necessary in accordance with VicTrack's Contaminated Land Management Plan.
- VicTrack commenced environmental and geotechnical investigation works and provision of strategic advice on behalf of other Victorian Government agencies for major development sites, including E-Gate and Ballarat West.
- VicTrack continues to work with Landcare groups around Victoria to monitor and increase biodiversity on its land assets. Projects continued through the 2012-13 financial year included supporting revegetation and restoration of the Bellarine Rail Trail and ongoing monitoring, weeding and management of the Cowangie Rail Reserve in the Murrayville region.

The new culverts under the rail line at Beaufort will protect the township and road and rail infrastructure from severe flooding.

Part Two: Outcomes Report

Delivering value to whole-of-government

Supporting efficient government communications

Highlights 2012-13

- VicTrack completed work on the $10 million Victorian Fibre Strategy on behalf of DSDBI. Fibre was laid along 196 kilometres of rail corridor between Geelong and Warrnambool and communication huts were installed at Terang, Warrnambool and Colac. VicTrack took on ownership and management of the fibre at project completion.

  The new fibre will enable high capacity broadband to improve the delivery of health, education, transport and other government services and will provide a viable alternate backhaul option for broadband providers and mobile carriers.
- VicTrack's Unified Communications (UC) platform has placed the organisation at the forefront of providing smarter and more efficient communication technology to its public transport partners.

  UC brings voice, video, instant messaging, mobile voice and data and other multi-media services under one system. The integration of these business tools increases productivity and improves the way businesses access and share information.

Highlights during the year were:

- VicTrack provided 250 phones and seven fax lines to V/Line, its first UC customer. This was the first step in a planned roll-out of UC to key customers.
- VicTrack introduced Technology Enabled Learning Centres (TELC) to three TAFES in the Gippsland region, which now offer digital learning solutions to improve access to tertiary education and training opportunities for students.

  TELC enables students from Gippsland to connect with students from multiple sites for online learning and collaboration.
- VicTrack is assisting with the delivery of essential health services for the Department of Health (DoH). UC video technology enables remote clinical consultations between patients, specialists and general practitioners.

  The Clinicians Online project provides physical fibre access to VicTrack's network to the Austin, Alfred, Royal Children's and Southern Health hospitals, Ambulance Victoria, DoH and the five rural health alliances.

- GippsTAFE's Chadstone campus was connected to VicTrack's TAFE Broadband network during the year. Improvements to the network included access to video conferencing facilities, creating a virtual data centre and creating a gateway for interconnecting with third party suppliers such as internet providers.
- VicTrack has leveraged existing infrastructure, including its extensive fibre network, to increase value to customers by delivering a secure and private cloud computing solution. This will generate new revenues and provide a cloud solution in a dedicated private network.
- VicTrack provided a web mapping service to give local councils easier access to information on rail land. The service provides access to VicTrack's map data via councils' own global information systems. Councils are generally the first point of contact for enquiries relating to rail land and its maintenance.

Part Three: Statutory and Financial Reporting

Corporate governance

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

Installing fibre for the Victorian Fibre Strategy near Boorcan.

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: Bob Annells (Chair), Yehudi Blacher (Deputy Chair), Jenny Roche, Sam Andersen, Brian Bulluss, David Hunter and Michael Trumble.

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 generally holds Board meetings monthly, other than in January.

Board performance

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

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 DTPLI.

Delegation to management

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

Part Three: Statutory and Financial Reporting

Corporate governance (continued)

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.
- **Property and Environment Committee** – Yehudi Blacher (Chair), David Hunter and Michael Trumble.
- **Telecommunications Committee** – Jenny Roche (Chair) and Brian Bulluss.
- **Remuneration and Human Resources Committee** – Bob Annells (Chair) and all other Directors.
- **Heritage Advisory Panel** – David Hunter (Chair), Sam Andersen, a representative of Heritage Victoria and a heritage architect.

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 and Orders in Council

During the reporting period, two Orders in Council were given to the VicTrack Board by the Minister for Public Transport.

The Orders required VicTrack to assume the property, rights and liabilities of the Public Transport Ticketing Body (operating as the Transport Ticketing Authority) in the fixed assets of the myki ticketing system and the civil works that form part of the fixed assets (comprising cabling, ducting, conduit, trenches, pits, lids and bores).

Enterprise risk management

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

The Board and management are committed to identifying

Board and Committee Meetings

Member	Board	Audit and Risk Management Committee	Property and Environment Committee	Telecommunications Committee	Remuneration and Human Resources Committee
Bob Annells	11	0	3	0	4
Yehudi Blacher	11	4	7	0	4
Jenny Roche*	11	0	7	4	4
Sam Andersen	11	4	1	1	4
David Hunter	11	1	7	0	4
Brian Bulluss	11	4	1	4	4
Tony Shepherd**	1	0	1	0	0
Michael Trumble***	5	0	2	0	0

* Retired from the Board on 31 March 2013 and re-appointed on 23 April 2013
** Resigned from the Board on 12 July 2012
*** Appointed to the Board on 4 December 2012

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 compliance 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, and
- has critically reviewed the risk profile of the organisation during the period 1 July 2012 to 30 June 2013.

The Board verifies this assurance.

Bob Annells PSM
Chair
Victorian Rail Track (VicTrack)

8 August 2013

Ministerial Standing Direction 4.5.5.1 compliance attestation

I, Campbell A. Rose, Chief Executive of VicTrack, certify that VicTrack has complied with Ministerial Direction 4.5.5.1 – Insurance, except for part (b) of that Direction as follows:

- VicTrack has a register of insurance policies.
- VicTrack has commenced maintaining a register of contractual indemnities for new contracts that is provided to the Victorian Managed Insurance Authority (VMIA) as required.
- Further work will need to be undertaken in conjunction with VMIA to establish a register of all historical contractual indemnities. To fully comply with this requirement will require additional resourcing, for which there is no funding at this point.

Campbell A. Rose
Chief Executive, VicTrack

7 August 2013

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 2012-13, VicTrack commissioned three consultancies individually valued at $10,000 or greater at a total cost of $263,140. All consultancies involved the provision of specialist advice and services not available in-house.

Compliance with the *Building Act 1993*

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

Occupational health and safety

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

VicTrack maintains a comprehensive Safety Management System which measures performance and reporting on lead safety indicators such as site safety audits, inspections and lag indicators such as lost time injuries. VicTrack intends to review its existing safety performance targets and measures in 2013-14 with a view to increasing the number and range of lead safety indicators as a key driver in delivering improved safety performance.

Workforce Data

VicTrack is committed to applying equity principles when appointing staff. Selection processes ensure that applicants are assessed and evaluated fairly and on the basis of key selection criteria and other accountabilities without discrimination.

Freedom of Information

VicTrack received one Freedom of Information request during the 2012-13 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 $25.10 are considered valid.

Requests should be submitted to:

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

Advertising

VicTrack undertook no campaign advertising during the year.

Availability of information

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

a) a statement that declarations of pecuniary interests have been duly completed by all relevant officers
b) details of shares held by a senior officer as nominee or held beneficially in VicTrack or a subsidiary
c) details of publications produced by VicTrack itself and where they can be obtained
d) details of changes in price, fees, charges, rates and levies charged by VicTrack
e) details of any major external reviews carried out on VicTrack
f) details of major research and development activities undertaken by VicTrack
g) details of overseas visits undertaken including a summary of the objectives and outcomes of each visit
h) details of major promotional, public relations and marketing activities undertaken by VicTrack

to develop community awareness of VicTrack and its services

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

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

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

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

The information is available on request from the Company Secretary, at the address on page 14.

National Competition Policy

Competitive neutrality seeks to enable fair competition between government and private sector businesses. VicTrack continues to implement and apply this principle in its business undertakings.

The infrastructure leases with Public Transport Victoria provide for open access to Victoria's rail infrastructure. PTV 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 worth 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 *Whistleblowers Protection Act 2001* commenced operation on 1 January 2002.

The purpose of the Act was to encourage and facilitate disclosures of improper conduct by public officers and public bodies. The Act provided protection for whistleblowers that made disclosures in accordance with the Act, and established a system for the matters disclosed to be investigated and rectifying action to be taken.

The *Protected Disclosure Act 2012* (Vic) came into operation on 10 February 2012, replacing the *Whistleblowers Protection Act 2001*. The new legislation implements changes to the way disclosures about improper conduct by public bodies and public officers are reported and handled.

Under the *Protected Disclosure Act 2012*, the Independent Broad-based Anti-Corruption Commission has a key role in receiving, assessing and investigating disclosures about improper conduct and detrimental action taken in reprisal for a disclosure by public bodies or public officers.

There are three main purposes of the *Protected Disclosure Act 2012*:

1. To encourage and assist people to make a disclosure of improper conduct and detrimental action by public officers and public bodies
2. To provide certain protections for people who make a disclosure, or those who may suffer detrimental action in reprisal for a disclosure
3. To ensure that certain information about a disclosure is kept confidential – the identity of the person making the disclosure, and the content of that disclosure.

VicTrack has procedures for managing any such disclosure about the organisation or any of its officers. 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.

Part Three: Statutory and Financial Reporting

Financial performance

Parent Entity

The parent entity VicTrack recorded an operating profit before tax and depreciation of $60.0 million for the 2012-2013 financial year and had a net cash inflow from operating activities of $36.4 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	2013 $m	2012 $m	2011 $m	2010 $m	2009 $m
Total Revenue	163.1	194.5	277.0	245.3	223.1
Total Operating Expenditure	(103.1)	(85.9)	(65.7)	(70.4)	(52.4)
Net Profit/(Loss) before Income Tax & Depreciation	60.0	108.6	211.3	174.9	170.7
Depreciation Charge	(394.6)	(417.9)	(193.4)	(156.7)	(141.5)
Net Cash Inflow from Operating Activities	36.4	79.3	79.1	110.2	90.2
Total Assets (Note from 2011 is Fair Value)	20,769.2	19,409.7	18,399.2	8,433.6	6,909.7
Total Liabilities	(2,693.2)	(2,818.3)	(3,000.8)	(282.1)	(269.4)
Net Assets	18,076.0	16,591.4	15,398.4	8,151.5	6,640.3
Total Staff (Full and Part Time)	289.0	302.0	266.0	241.0	196.0

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

Notes:

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

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 entity (an entity controlled by VicTrack), which is the owner of the State's rolling stock infrastructure assets. These assets are leased to Public Transport Victoria 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 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	2013 $m	2012 $m	2011 $m	2010 $m	2009 $m
Total Revenue	319.8	358.1	427.5	405.9	432.2
Total Operating Expenditure	(186.8)	(175.9)	(155.1)	(170.7)	(220.4)
Net Profit/(Loss) before Income Tax & Depreciation	133.0	182.2	272.4	235.2	211.8
Depreciation Charge	(504.1)	(519.2)	(295.3)	(248.2)	(258.2)
Net Cash Inflow from Operating Activities	345.9	439.9	361.5	475.3	540.3
Total Assets (Note from 2011 is Fair Value)	24,183.4	22,695.6	21,540.4	10,465.8	8,726.2
Total Liabilities	(3,832.6)	(4,043.8)	(4,296.1)	(1,346.5)	(1,397.2)
Net Assets	20,350.8	18,651.8	17,244.3	9,119.0	7,329.0
Total Staff	289.0	302.0	266.0	241.0	196.0

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

Notes:

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

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 2013 of Victorian Rail Track which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the declaration by chair, accountable officer and general manager has been audited. The financial report includes the consolidated financial statements of the economic entity, comprising Victorian Rail Track and the entities it controlled at the year's end or from time to time during the financial year as disclosed in note 18 to the financial statements.

The Board Members' Responsibility for the Financial Report

The Board Members of Victorian Rail Track are responsible for the preparation and 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.

Auditing in the Public Interest

Independent Auditor's Report (continued)

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, 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 2013 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 2013 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
11 September 2013

John Doyle
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 2013 and the financial position of Victorian Rail Track as at 30 June 2013.

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 10 September 2013.

Bob Annells PSM
Chair

Dated 10th September 2013

Campbell A. Rose
Chief Executive

Dated 10th September 2013

Leo Felicissimo
Acting General Manager Business Services

Dated 10th September 2013

Comprehensive Operating Statement

For the year ended 30 June 2013

		Consolidated		Parent	
	Note	2013 $000	2012 $000	2013 $000	2012 $000
CONTINUING OPERATIONS					
Income from transactions:					
Telecommunications services		55,188	51,719	55,188	51,719
Property related income		24,083	24,856	24,083	24,856
Leasehold improvements/renewals received		-	38,604	-	38,604
Government contributions towards capital and related works		161,997	175,956	36,233	43,375
Other income	2	78,503	66,973	47,597	35,967
Capital assets charge		1,421,214	1,296,032	1,421,214	1,296,032
Total income from transactions		**1,740,985**	**1,654,140**	**1,584,315**	**1,490,553**
Expenses from transactions:					
Employee benefits expense	3a	34,025	31,950	34,025	31,950
Depreciation and amortisation expense	3b	504,109	519,211	394,556	417,939
Finance costs		83,599	89,899	-	-
Capital assets charge		1,421,214	1,296,032	1,421,214	1,296,032
Supplies and services expense	3c	31,779	30,723	31,779	30,723
Other operating expenses	3d	37,385	23,361	37,339	23,283
Total expenses from transactions		**2,112,111**	**1,991,176**	**1,918,913**	**1,799,927**
Net result from transactions (net operating balance)		**(371,126)**	**(337,036)**	**(334,598)**	**(309,374)**
Other economic flows included in net result					
Net gain/(loss) from non-financial assets		4,357	1,903	4,357	717
Total other economic flows included in net result		**4,357**	**1,903**	**4,357**	**717**
Net result from continuing operations before income tax		**(366,769)**	**(335,133)**	**(330,241)**	**(308,657)**
Tax equivalent (expense)/ benefit	14a	110,085	123,177	99,126	144,709
Net result		**(256,684)**	**(211,956)**	**(231,115)**	**(163,948)**
Other economic flows – other non-owner changes in equity					
Other non-owner changes in equity		(9,157)	(129,485)	(10,783)	(129,485)
Total other economic flows – other non-owner changes in equity		**(9,157)**	**(129,485)**	**(10,783)**	**(129,485)**
Comprehensive result		**(265,841)**	**(341,441)**	**(241,898)**	**(293,433)**

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

Balance Sheet

As at 30 June 2013

		Consolidated		Parent	
	Note	2013 $000	2012 $000	2013 $000	2012 $000
ASSETS					
Financial assets					
Cash		4,307	5,154	2,664	3,432
Other financial assets	4	20,489	38,653	20,389	38,553
Trade and other receivables	5	23,482	28,960	150,215	155,380
Total financial assets		**48,278**	**72,767**	**173,268**	**197,365**
Non-financial assets					
Prepayments		865	822	865	822
Inventories	6	-	-	-	-
Property, infrastructure, plant and equipment	7(a)	24,070,852	22,558,651	20,595,067	19,211,524
Goodwill	1(j) (viii)	63,417	63,417	-	-
Total non-financial assets		**24,135,134**	**22,622,890**	**20,595,932**	**19,212,346**
TOTAL ASSETS		**24,183,412**	**22,695,657**	**20,769,200**	**19,409,711**
LIABILITIES					
Trade and other payables	8	29,425	57,809	28,391	54,683
Employee benefits	9	9,161	8,770	9,161	8,770
Borrowings	10	920,400	993,506	1,778	1,931
Deferred tax liability	14f	2,873,665	2,983,750	2,653,821	2,752,947
TOTAL LIABILITIES		**3,832,651**	**4,043,835**	**2,693,151**	**2,818,331**
NET ASSETS		**20,350,761**	**18,651,822**	**18,076,049**	**16,591,380**
EQUITY					
Contributed capital	11	11,603,744	9,638,964	10,010,763	8,284,196
Revaluation Surplus	12	8,831,097	8,841,880	8,182,328	8,193,111
Retained profits		(84,080)	170,978	(117,042)	114,073
NET WORTH		**20,350,761**	**18,651,822**	**18,076,049**	**16,591,380**

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 2013

	Note	Contributed equity $000	Asset revaluation surplus $000	Retained earnings $000	Total equity $000
CONSOLIDATED					
2013					
Balance at 1 July 2012		9,638,964	8,841,880	170,978	18,651,822
Net result for the year		-	-	(256,684)	(256,684)
Other non-owner changes in equity		-	(10,783)	1,626	(9,157)
Total comprehensive result for the year		**-**	**(10,783)**	**(255,058)**	**(265,841)**
Transactions with owners in their capacity as owners:					
Contributions by owners during the year	11	1,964,780	-	-	1,964,780
Capital returned during the year	11	-	-	-	-
Balance at 30 June 2013	**11**	**11,603,744**	**8,831,097**	**(84,080)**	**20,350,761**
2012					
Balance at 1 July 2011	11	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)	(2)	(129,485)
Total comprehensive result for the year		**-**	**(129,483)**	**(211,958)**	**(341,441)**
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**

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

Statement of Changes in Equity (continued)

For the year ended 30 June 2013

	Note	Contributed equity $000	Asset revaluation surplus $000	Retained earnings $000	Total equity $000
PARENT					
2013					
Balance at 1 July 2012		8,284,196	8,193,111	114,072	16,591,380
Net result for the year		-	-	(231,115)	(231,115)
Other non-owner changes in equity		-	(10,783)	-	(10,783)
Total comprehensive result for the year		**-**	**(10,783)**	**(231,115)**	**(241,898)**
Transactions with owners in their capacity as owners:					
Contributions by owners during the year	11	1,726,568	-	-	1,726,568
Capital returned during the year	11	-	-	-	-
Balance at 30 June 2013	**11**	**10,010,763**	**8,182,328**	**(117,042)**	**18,076,049**
2012					
Balance at 1 July 2011	11	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		-	(129,485)	-	(129,485)
Total comprehensive result for the year		**-**	**(129,485)**	**(163,948)**	**(293,433)**
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**	**114,072**	**16,591,380**

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 2013

		Consolidated		Parent	
	Note	2013 $000	2012 $000	2013 $000	2012 $000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts		322,102	307,915	145,174	121,185
Interest received		1,331	2,185	1,287	2,113
Receipts from the Victorian Government for:					
– capital assets charge (*)		1,421,214	1,296,032	1,421,214	1,296,032
– capital and related works (inclusive of GST) and termination payments		254,065	336,785	15,853	48,076
Total receipts		**1,998,711**	**1,942,917**	**1,583,528**	**1,467,406**
Payments					
Suppliers (inclusive of GST) and employees		(134,054)	(113,948)	(123,709)	(88,383)
Borrowing costs paid		(91,959)	(86,056)	-	-
Capital assets charge (*)		(1,421,214)	(1,296,032)	(1,421,214)	(1,296,032)
Goods and services tax paid to the ATO		(5,628)	(6,975)	(2,242)	(3,664)
Total payments		**(1,652,855)**	**(1,503,011)**	**(1,547,165)**	**(1,388,079)**
Net cash flows from/(used in) operating activities	**13(d)**	**345,856**	**439,906**	**36,363**	**79,327**
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from/(payments for):					
Investments		18,164	4,826	18,164	4,826
Payment for government capital contributions*		(1,964,780)	(1,748,912)	(1,726,568)	(1,486,448)
Acquisition of property, plant & equipment		(297,864)	(373,552)	(59,652)	(84,843)
Sale of property, plant & equipment		4,357	717	4,357	717
Net cash from/(used in) investing activities		**(2,240,123)**	**(2,116,921)**	**(1,763,699)**	**(1,565,748)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds/(payments) for:					
Government capital contributions*		1,964,780	1,748,912	1,726,568	1,486,448
Borrowings		(71,360)	(71,921)	-	-
Net cash flows from/(used in) financing activities		**1,893,420**	**1,676,991**	**1,726,568**	**1,486,448**
Net increase/(decrease) in cash held		**(847)**	**(23)**	**(768)**	**27**
Cash at the beginning of the financial year		5,154	5,177	3,432	3,405
Cash at the end of the financial year		**4,307**	**5,154**	**2,664**	**3,432**

(*) 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 2013

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 2013 were authorised for issue in accordance with a resolution of the directors on 10 September 2013.

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 a historical cost basis, unless otherwise stated in the notes to the financial statements, in accordance with the *Financial Management Act 1994*, Australian Accounting Standards, and other authoritative pronouncements of the Australian Accounting Standards Board.

Victorian Rail Track and its subsidiary companies provide certain services free of charge or at prices significantly below their cost of production for the collective consumption by the community, which is incompatible with generating profit as a principal objective. Consequently, where appropriate, those paragraphs in Australian Accounting Standards relating to not-for-profit entities are applied.

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

Exceptions to the historical cost convention include:

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

(ii) Significant accounting estimates and judgements

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

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

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

(iii) Land Valuation

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

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

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

(iv) Non-financial physical assets

In addition to land, all non-financial physical assets are recognised initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment in accordance with the requirements of FRD103D Non-Current Physical Assets. The fair value was determined on the basis of depreciated replacement cost. The impairment analysis on non-financial physical assets has been carried out annually since with no impairment noted.

The last independent valuation of non-financial physical assets was at 30 June 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 2013 and the comparative information presented for the year ended 30 June 2012.

(vii) Finance lease commitments – Group as lessee

The Group has entered into leases for the acquisition of its rolling stock and determined that as substantially all the risks and benefits transfer to the Company, the leases are finance leases.

(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.

Notes to the Financial Statement (continued)

30 June 2013

Note 1. Summary of Significant Accounting Policies (continued)

(c) Scope and presentation of financial statements (continued)

(i) Comprehensive Operating Statement (continued)

'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 2012-13.

(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 2013 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 VicTrack 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

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

(e) Income from transactions

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

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

Income is recognised for the major business activities as follows:

(i) Rendering of services

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

(ii) Leasehold Improvements

Leasehold improvements/ renewals undertaken by lessees/ sub-lessees and assets provided by other parties are recognised as works 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	1.0% to 2.5%	100 to 40 years
Track	1.0% to 2.0%	100 to 50 years
Signals and Communications	3.0% to 3.3%	33 to 30 years
Plant and Equipment	2.5% to 10%	40 to 10 years
Rolling Stock	3.0% to 3.3%	33 to 30 years

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

Notes to the Financial Statement (continued)

30 June 2013

Note 1. Summary of Significant Accounting Policies (continued)

(f) Expenses from transactions (continued)

(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 include the amortisation of discounts or premiums relating to these borrowings and interest charges on finance leases.

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

(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 2013.

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*.

(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 2012-13, but limited to the income tax component of the NTER.

(i) Current tax

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

(ii) Deferred tax

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

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

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

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

The carrying amount of deferred tax assets 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 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 the 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.

Notes to the Financial Statement (continued)

30 June 2013

Note 1. Summary of Significant Accounting Policies (continued)

(j) Non-financial assets (continued)

(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 impairment analysis on the Rail Infrastructure has been carried out annually since with no impairment noted.

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

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

(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.

Notes to the Financial Statement (continued)

30 June 2013

Note 1. Summary of Significant Accounting Policies (continued)

(j) Non-financial assets (continued)

(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 2013, 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 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 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 remains with Public Transport Victoria. Further details of the lease arrangements, which are part of the public transport franchising arrangements, can be found in the Public Transport 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.

(i) Consolidated Entity as lessee (continued)

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.

Notes to the Financial Statement (continued)

30 June 2013

Note 1. Summary of Significant Accounting Policies (continued)

(l) Leases (continued)

(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.

(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 2012 and 30 June 2013.

(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.

(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 2013. These are outlined in the table below:

Title (summarised)	Summary	Applicable for annual reporting periods beginning on	Impact on public sector financial statements
AASB 2011-9	Amendments to Australian Accounting Standards - Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]. This standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.	1-Jul-13	No significant impact is expected on entity reporting.
AASB 119 Employee benefits	The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets. The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. Consequential amendments were also made to other standards via AASB 2011-10.	1-Jul-13	No significant impact is expected on entity reporting.
AASB 10 Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation – Special Purpose Entities. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. Consequential amendments were also made to this and other standards via AASB 2011-7 and AASB 2012-10.	1-Jul-13	No significant impact is expected on entity reporting.
Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests.	1-Jul-13	No significant impact is expected on entity reporting.

Notes to the Financial Statement (continued)

30 June 2013

Note 1. Summary of Significant Accounting Policies (continued)

(t) New accounting standards and interpretations (continued)

Title (summarised)	Summary	Applicable for annual reporting periods beginning on	Impact on public sector financial statements
AASB 13 Fair Value Measurement	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8.	1-Jul-13	No significant impact is expected on entity reporting.
AASB 1055 Budgetary Reporting	This standard specifies budgetary disclosure requirements for the whole of government, General Government Sector (GGS) and not-for-profit entities within the GGS of each government. AASB 2013-1 removes the requirements relating to the disclosure of budgetary information from AASB 1049 (without substantive amendment). All budgetary reporting requirements applicable to public sector entities are now located in AASB 1055.	1-Jul-14	No significant impact is expected on entity reporting.
AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.	1-Jul-13	No significant impact is expected on entity reporting.

Note 2. Income from transactions

		Consolidated		Parent	
	Note	2013 $000	2012 $000	2013 $000	2012 $000
Interest received		1,330	2,185	1,287	2,113
Rolling stock lease income		29,225	29,225	-	-
Infrastructure Management revenue		33,850	22,180	33,850	22,180
Other		14,098	13,383	12,460	11,674
Total other income		**78,503**	**66,973**	**48,423**	**35,967**

Note 3. Expenses from transactions

(a) Employee benefits

		Consolidated		Parent	
	Note	2013 $000	2012 $000	2013 $000	2012 $000
Salaries and wages		26,122	24,738	26,122	24,738
Associated labour costs:					
On-costs		2,311	2,186	2,311	2,186
Superannuation contributions		3,033	2,834	3,033	2,834
Total associated labour costs		**5,344**	**5,020**	**5,344**	**5,020**
Increase in provision for employee entitlements		1,614	2,043	1,614	2,043
Termination payments		945	149	945	149
Total employee benefits		**34,025**	**31,950**	**34,025**	**31,950**

(b) Depreciation and amortisation

		Consolidated		Parent	
	Note	2013 $000	2012 $000	2013 $000	2012 $000
Buildings and structures		98,593	97,686	98,593	97,686
Track		96,165	121,461	96,165	121,461
Signals and communications		162,006	161,876	162,006	161,876
Plant and equipment		147,345	138,188	37,792	36,916
Total depreciation and amortisation		**504,109**	**519,211**	**394,556**	**417,939**

Notes to the Financial Statement (continued)

30 June 2013

Note 3. Expenses from transactions (continued)

(c) Supplies and services

		Consolidated		Parent	
	Note	2013 $000	2012 $000	2013 $000	2012 $000
Property services (including land tax)		7,820	8,700	7,820	8,700
Telecommunications expenses		12,018	12,203	12,018	12,203
Contract and other payments		11,941	9,820	11,941	9,820
Total supplies and services		**31,779**	**30,723**	**31,779**	**30,723**

(d) Other operating expenses

		Consolidated		Parent	
	Note	2013 $000	2012 $000	2013 $000	2012 $000
Increase/(decrease) in provision for doubtful debts		9	(95)	9	(95)
Bad debts		230	65	230	65
Insurance premiums		540	557	540	557
Legal fees		609	705	609	705
Occupancy costs		1,822	1,515	1,822	1,515
Customer construction expense		26,922	13,511	26,922	13,511
Other expenses		7,253	7,103	7,207	7,025
Total other operating expenses		**37,385**	**23,361**	**37,339**	**23,283**

Note 4. Other financial assets

		Consolidated		Parent	
	Note	2013 $000	2012 $000	2013 $000	2012 $000
Funds on deposit		100	100	-	-
Investments – Treasury Corporation of Victoria		20,389	38,553	20,389	38,553
Other financial assets		**20,489**	**38,653**	**20,389**	**38,553**
Reconciled by:					
CURRENT					
Investments – Treasury Corporation of Victoria		20,389	38,553	20,389	38,553
		20,389	**38,553**	**20,389**	**38,553**
NON CURRENT					
Funds on deposit		100	100	-	-
		100	**100**	**-**	**-**
Total other financial assets		**20,489**	**38,653**	**20,389**	**38,553**

Investments in Treasury Corporation of Victoria are carried at cost. These funds are earmarked 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% (2012: 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.

Notes to the Financial Statement (continued)

30 June 2013

Note 5. Trade and other receivables

		Consolidated		Parent	
	Note	2013 $000	2012 $000	2013 $000	2012 $000
Receivables		23,700	29,169	150,433	155,589
Less provision for impairment of receivables (a)		(218)	(209)	(218)	(209)
		23,482	**28,960**	**150,215**	**155,380**
Reconciled by:					
CURRENT					
Receivables		23,629	29,169	150,362	155,589
Less provision for impairment of receivables (a)		(218)	(209)	(218)	(209)
		23,411	**28,960**	**150,144**	**155,380**
NON CURRENT					
Receivables		71	-	71	-
Less provision for impairment of receivables		-	-	-	-
		71	**-**	**71**	**-**
Total receivables		**23,482**	**28,960**	**150,215**	**155,380**

(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 $218,000 (2012: $209,000) has been recognised by the Consolidated Entity and $218,000 (2012: $209,000) by the Parent 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 $6,639,000 (2012: $570,000); Parent $6,639,000 (2012: $570,000).

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	2013 $000	2012 $000	2013 $000	2012 $000
At 1 July		209	304	209	304
Provision for impairment recognised during the year		206	125	206	125
Receivables written off during the year		(101)	(57)	(101)	(57)
Amounts reversed during the year		(96)	(163)	(96)	(163)
		218	**209**	**218**	**209**

(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	2013 $000	2012 $000	2013 $000	2012 $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 2013 amounted to nil (2012: nil).

Notes to the Financial Statement (continued)

30 June 2013

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	2013 $000	2012 $000	2013 $000	2012 $000
LAND					
Rail corridor land – at fair value		1,720,020	1,712,566	1,720,020	1,718,969
Non-rail corridor land – at fair value		1,315,415	1,313,572	1,315,415	1,317,069
Total land		**3,035,435**	**3,036,038**	**3,035,435**	**3,036,038**
BUILDINGS AND STRUCTURES					
Net fair value		4,667,490	4,667,490	4,667,490	4,667,490
Accumulated depreciation		(192,227)	(96,132)	(192,227)	(96,132)
Carrying amount		**4,475,263**	**4,571,358**	**4,475,263**	**4,571,358**
Allocation statement valuation		108,283	108,283	108,283	108,283
Accumulated depreciation		(1,128)	(6)	(1,128)	(6)
Carrying amount		**107,155**	**108,277**	**107,155**	**108,277**
Cost		446,288	220,189	446,288	220,189
Accumulated depreciation		(2,926)	(1,548)	(2,926)	(1,548)
Carrying amount		**443,362**	**218,641**	**443,362**	**218,641**
Total buildings and structures after depreciation		**5,025,780**	**4,898,276**	**5,025,780**	**4,898,276**
TRACK					
Net fair value		5,720,454	5,720,454	5,720,454	5,720,454
Accumulated depreciation		(206,327)	(119,942)	(206,327)	(119,942)
Carrying amount		**5,514,127**	**5,600,512**	**5,514,127**	**5,600,512**
Allocation statement valuation		19,233	19,233	19,233	19,233
Accumulated depreciation		(443)	(1)	(443)	(1)
Carrying amount		**18,790**	**19,232**	**18,790**	**19,232**
Cost		331,316	185,746	331,316	185,746
Accumulated depreciation		(10,855)	(1,518)	(10,855)	(1,518)
Carrying amount		**320,461**	**184,228**	**320,461**	**184,228**
Total Track after depreciation		**5,853,378**	**5,803,972**	**5,853,378**	**5,803,972**

		Consolidated		Parent	
	Note	2013 $000	2012 $000	2013 $000	2012 $000
SIGNALS AND COMMUNICATION					
Net fair value		2,461,480	2,461,480	2,461,480	2,461,480
Accumulated depreciation		(312,508)	(156,423)	(312,508)	(156,423)
Carrying amount		**2,148,972**	**2,305,057**	**2,148,972**	**2,305,057**
Allocation statement valuation		64,538	2,232	64,538	2,232
Accumulated depreciation		(117)	-	(117)	-
Carrying amount		**64,422**	**2,232**	**64,422**	**2,232**
Cost		399,741	244,730	399,741	244,730
Accumulated depreciation		(11,257)	(5,453)	(11,257)	(5,453)
Carrying amount		**388,484**	**239,277**	**388,484**	**239,277**
Total Signals and communication after depreciation		**2,601,878**	**2,546,566**	**2,601,878**	**2,546,566**
PLANT AND EQUIPMENT					
Net fair value		3,751,906	3,751,906	934,412	934,412
Accumulated depreciation		(244,343)	(128,432)	(72,133)	(36,046)
Carrying amount		**3,507,563**	**3,623,474**	**862,279**	**898,366**
Allocation statement valuation		1,622	1,622	1,622	1,622
Accumulated depreciation		(41)	-	(41)	-
Carrying amount		**1,581**	**1,622**	**1,581**	**1,622**
Finance lease at cost		2,569	2,612	2,569	2,612
Accumulated depreciation		(807)	(701)	(807)	(701)
Carrying amount		**1,761**	**1,911**	**1,761**	**1,911**
Cost		747,159	424,838	187,508	11,393
Accumulated depreciation		(26,861)	(9,129)	(1,268)	(169)
Carrying amount		**720,298**	**415,709**	**186,240**	**11,224**
Total plant and equipment after depreciation		**4,231,203**	**4,042,716**	**1,051,861**	**913,123**
CAPITAL WORKS IN PROGRESS					
Leasehold improvements/renewals		2,581,776	1,857,793	2,581,776	1,857,793
Rolling stock under construction		296,443	217,534	-	-
Other		444,959	155,756	444,959	155,756
Total Capital works in progress		**3,323,179**	**2,231,083**	**3,026,736**	**2,013,549**
Total property, infrastructure, plant and equipment		**24,070,852**	**22,558,651**	**20,595,067**	**19,211,524**

Notes to the Financial Statement (continued)

30 June 2013

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
CONSOLIDATED							
2013							
Carrying amount at 1 July 2012	3,036,038	4,898,276	5,803,972	2,546,566	4,042,716	2,231,083	22,558,651
Additions (*)	-	-	-	-	162,767	2,029,184	2,191,952
Disposals	(2,544)	-	-	-	(421)	-	(2,965)
Other adjustments	-	-	-	-	-	-	-
Revaluation movement	(10,783)	-	-	-	-	-	(10,783)
Depreciation charge for the year	-	(98,593)	(96,165)	(162,006)	(147,346)	-	(504,110)
Transferred from WIP	12,724	226,097	145,571	217,318	173,486	(937,088)	(161,892)
Carrying value at 30 June 2013	**3,035,435**	**5,025,780**	**5,853,378**	**2,601,878**	**4,231,203**	**3,323,179**	**24,070,852**
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**

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

	Land $'000	Buildings & structures $'000	Track $'000	Signals & comms. $'000	Plant & equipment $'000	WIP $'000	TOTAL $'000
PARENT							
2013							
Carrying amount at 1 July 2012	3,036,038	4,898,276	5,803,972	2,546,566	913,123	2,013,549	19,211,524
Additions (*)	-	-	-	-	162,767	1,790,973	1,953,740
Disposals	(2,544)	-	-	-	(421)	-	(2,965)
Other adjustments	-	-	-	-	-	-	-
Revaluation movement	(10,783)	-	-	-	-	-	(10,783)
Depreciation charge for the year	-	(98,593)	(96,165)	(162,006)	(37,792)	-	(394,556)
Transferred from WIP	12,724	226,097	145,571	217,318	14,184	(777,786)	(161,892)
Carrying value at 30 June 2013	**3,035,435**	**5,025,780**	**5,853,378**	**2,601,878**	**1,051,861**	**3,026,736**	**20,595,067**
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**

(*) 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) which was performed by Aquenta Consulting Pty Ltd. The fair value was determined on the basis of depreciated replacement cost. An impairment analysis has been carried out annually since with no impairment noted.

Notes to the Financial Statement (continued)

30 June 2013

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

(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. An impairment analysis has been carried out annually since with no impairment noted.

(f) 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. An impairment analysis has been carried out annually since with no impairment noted.

(g) 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, which was undertaken by Interfleet Technology Pty Ltd. The fair value was determined on the basis of depreciated replacement cost. An impairment analysis has been carried out annually since with no impairment noted.

Note 8. Trade and other payables

		Consolidated		Parent	
	Note	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Trade and other payables		29,425	57,809	28,391	54,683
Total trade and other payables		**29,425**	**57,809**	**28,391**	**54,683**

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.

Note 9. Provisions

	Note	Consolidated		Parent	
		2013 $'000	2012 $'000	2013 $'000	2012 $'000
Long service leave		5,535	5,282	5,535	5,282
Annual leave		2,988	2,654	2,988	2,654
Other employee benefits		638	834	638	834
		9,161	**8,770**	**9,161**	**8,770**
Reconciled by:					
CURRENT					
Long service leave (*)		4,716	4,656	4,716	4,656
Annual leave		2,988	2,654	2,988	2,654
Other employee benefits		638	834	638	834
		8,342	**8,144**	**8,342**	**8,144**
NON CURRENT					
Long service leave		819	626	819	626
		819	**626**	**819**	**626**
Total provisions		**9,161**	**8,770**	**9,161**	**8,770**

(*) Expected long service leave payment in the next 12 months is $385,000 (2012: $382,000) and $5,150,000 (2012: $4,900,000) 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 2012	**7,632**	**1,138**	**8,770**
Additional provision recognised	2,819	406	3,225
Reductions arising from payments	(3,051)	(451)	(3,502)
Movement resulting from re-measurement or settlement without cost	27	4	31
Balance at 30 June 2013	**7,427**	**1,097**	**8,524**
Balance at 1 July 2011	**6,534**	**980**	**7,514**
Additional provision recognised	3,868	572	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**

Notes to the Financial Statement (continued)

30 June 2013

Note 10. Borrowings

		Consolidated		Parent	
	Note	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Secured loan		280,100	303,914	-	-
Lease liability		640,299	689,592	1,778	1,931
		920,399	**993,506**	**1,778**	**1,931**
Reconciled by:					
CURRENT					
Secured loan		30,928	29,992	-	-
Lease liability		51,016	50,080	990	941
		81,944	**80,072**	**990**	**941**
NON CURRENT					
Secured loan		249,173	273,922	-	-
Lease liability		589,283	639,512	788	990
		838,456	**913,434**	**788**	**990**
Total borrowings		**920,400**	**993,506**	**1,778**	**1,931**

(a) Fair value

The fair values of borrowings are disclosed in Note 23, Financial Risk Management.

(b) Secured liabilities and assets pledged as security

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

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

(c) Defaults and breaches

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

Note 11. Equity and movements in equity – Consolidated Entity

Contributed Capital	Capital 1 July 2012 $'000	Capital Returned $'000	Additional Capital $'000	Capital 30 June 2013 $'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 communications	653,018	-	-	653,018
Plant and equipment	122,145	-	-	122,145
Works in progress/other assets	5,621,445	-	1,964,780	7,586,225
Total assets	**9,645,923**	**-**	**1,964,780**	**11,610,703**
LIABILITIES				
Provision for employee benefits	(6,959)	-	-	(6,959)
Total liabilities	**(6,959)**	**-**	**-**	**(6,959)**
Contributed capital at the end of the year	**9,638,964**	**-**	**1,964,780**	**11,603,744**

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 communications	653,018	-	-	653,018
Plant and equipment	122,145	-	-	122,145
Works in progress/other assets	3,872,532	-	1,748,912	5,621,445
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**

Notes to the Financial Statement (continued)

30 June 2013

Note 11. Equity and movements in equity – Parent Entity

Contributed Capital	Capital 1 July 2013 $'000	Capital Returned $'000	Additional Capital $'000	Capital 30 June 2014 $'000
ASSETS				
Inventory	205	-	-	205
Receivables	2,715	-	-	2,715
Land	1,054,045	-	-	1,054,045
Buildings and structures	888,708	-	-	888,708
Track	1,303,643	-	-	1,303,643
Signals and communications	653,018	-	-	653,018
Plant and equipment	116,114	-	-	116,114
Works in progress/other assets	4,272,706	-	1,726,568	5,999,273
Total assets	**8,291,154**	**-**	**1,726,568**	**10,017,722**
LIABILITIES				
Provision for employee benefits	(6,959)	-	-	(6,959)
Total liabilities	**(6,959)**	**-**	**-**	**(6,959)**
Contributed capital at the end of the year	**8,284,195**	**-**	**1,726,568**	**10,010,763**

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 communications	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**	**8,291,155**
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**

Note 12. Asset revaluation surplus

		Consolidated		Parent	
	Note	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Balance at beginning of financial year		8,841,880	8,971,363	8,193,111	8,322,594
Revaluation increments/(decrements)		-	-	-	-
Adjustments, disposal & transferred out		(10,783)	(175,717)	(10,783)	(175,717)
Changes In physical asset revaluation surplus		**(10,783)**	**(175,717)**	**(10,783)**	**(175,717)**
NET INCREMENT AFTER INCOME TAX					
Income tax on physical asset revaluation surplus		-	46,234	-	46,234
Net increment after income tax		**8,831,097**	**8,841,880**	**8,182,328**	**8,193,111**

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

Notes to the Financial Statement (continued)

30 June 2013

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 2013 (2012: 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	
	Note	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Net result for the period		(256,684)	(211,956)	(231,115)	(163,948)
Adjustments for:					
Depreciation/amortisation		504,109	519,211	394,556	417,939
Fair value adjustments		(1,595)	(1,836)	-	-
Loss/(profit) on sale of assets		(4,357)	(1,903)	(4,357)	(717)
Receipts recognised as contributed capital		238,212	286,710	-	(1,998)
Leasehold improvements/renewals received		-	(38,604)	-	(38,604)
Tax equivalent (expense)/benefit		(110,085)	(123,177)	(99,126)	(144,709)
Changes in assets/liabilities:					
(Increase)/decrease in receivables		5,220	(626)	5,165	(315)
Increase/(decrease) in other payables		(28,964)	12,087	(28,760)	11,679
Net cash flow provided by/(used in) operating activities		**345,856**	**439,906**	**36,363**	**79,327**

Note 14. National tax equivalent regime

(a) Income tax

		Consolidated		Parent	
	Note	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Current income tax (expense)/benefit		70,537	53,805	49,404	35,936
Adjustment in respect of current income tax of previous years		631	-	631	-
Deferred income tax		38,917	69,372	49,091	108,773
Total income tax (expense)/benefit		**110,085**	**123,177**	**99,126**	**144,709**
Adjustment to prior year tax loss		-	-	-	-
Total income tax (expense)/benefit		**110,085**	**123,177**	**99,126**	**144,709**

(b) Income tax reconciliation

		Consolidated		Parent	
	Note	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Accounting profit/(loss) before tax		(366,769)	(335,133)	(330,241)	(308,657)
Income tax (expense)/benefit at company tax rate of 30%		110,031	100,540	99,072	92,597
Non-allowable items		54	22,637	54	52,112
		110,085	**123,177**	**99,126**	**144,709**

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

		Consolidated		Parent	
	Note	2013 $'000	2012 $'000	2013 $'000	2012 $'000
(Increase)/decrease in deferred tax liabilities		54,068	93,296	49,016	116,793
Increase/(decrease) in deferred tax assets		(15,151)	(23,924)	74	(8,020)
		38,917	**69,372**	**49,090**	**108,773**

(d) Amounts charged directly to equity

		Consolidated		Parent	
	Note	2013 $'000	2012 $'000	2013 $'000	2012 $'000
RETAINED EARNINGS					
Adjustment to prior year tax loss		-	-	-	-
REVALUATION RESERVES					
Revaluations of plant and equipment		-	(46,232)	-	(46,232)

Notes to the Financial Statement (continued)

30 June 2013

Note 14. National Tax Equivalent Regime (continued)

(e) Deferred tax assets

	Note	Consolidated 2013 $'000	Consolidated 2012 $'000	Parent 2013 $'000	Parent 2012 $'000
The balance comprises temporary differences attributable to:					
Fair value of loan		1,598	2,080	-	-
Finance lease liability		192,090	206,878	534	579
Accrued leave		2,748	2,631	2,748	2,631
Doubtful debts		65	63	65	63
Stock Obsolescence		257	257	257	257
Losses available for offset		260,778	189,609	136,776	86,740
Total deferred tax assets		**457,536**	**401,518**	**140,380**	**90,270**

(f) Deferred tax liabilities

	Note	Consolidated 2013 $'000	Consolidated 2012 $'000	Parent 2013 $'000	Parent 2012 $'000
The balance comprises temporary differences attributable to:					
Revaluation of plant and equipment		(2,954,082)	(2,954,082)	(2,664,632)	(2,664,632)
Accelerated depreciation		(83,200)	(140,834)	(129,042)	(178,013)
Finance lease assets		(293,875)	(290,304)	(528)	(573)
Fair value of loan		(44)	(48)	-	-
Total deferred tax liabilities		**(3,331,201)**	**(3,385,268)**	**(2,794,202)**	**(2,843,218)**
Net deferred tax assets/(liabilities)		**(2,873,665)**	**(2,983,750)**	**(2,653,821)**	**(2,752,947)**

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

	Note	Consolidated 2013 $'000	Consolidated 2012 $'000	Parent 2013 $'000	Parent 2012 $'000
Opening balance		(2,983,750)	(3,153,160)	(2,752,947)	(2,943,890)
Charged to income tax expense		38,917	69,372	49,091	108,773
Charge to equity		-	46,234	-	46,234
Movement in tax losses		71,169	53,804	50,036	35,936
Closing balance		**(2,873,665)**	**(2,983,750)**	**(2,653,821)**	**(2,752,947)**

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 2013 was 289 (2012: 302).

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

Superannuation Fund (*)	30 June 2013 Contributions $'000	Contributions Outstanding as at 30 June 2013 $'000	30 June 2012 Contributions $'000	Contributions Outstanding as at 30 June 2012 $'000
Transport Superannuation Scheme	340	38	352	40
State Superannuation Scheme	284	32	296	33
VicSuper Scheme	1,111	134	1,025	121
Other	1,298	206	1,161	196
	3,033	**410**	**2,834**	**390**

(*) 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	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Within one year	143,260	70,710	8,115	16,575
One year or later and not later than five years	345,134	144,275	6,632	-
Total capital commitments	**488,394**	**214,985**	**14,747**	**16,575**

The Consolidated Entity has entered into contracts for the supply and manufacture of new passenger trains. As at 30 June 2013, $318 million (2012: $218 million) is recorded as works in progress for these assets.

Notes to the Financial Statement (continued)

30 June 2013

Note 17. Lease commitments

	Consolidated		Parent	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
OPERATING LEASES				
Within one year	1,692	1,640	1,692	1,640
Later than one year but not later than five years	4,190	5,114	4,190	5,114
Total operating lease commitments	**5,882**	**6,754**	**5,882**	**6,754**

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

	Consolidated		Parent	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
FINANCE LEASES				
Within one year	116,804	127,062	990	941
Later that one year but not later than five years	525,488	665,209	788	990
Later than five years	324,358	326,567	-	-
Minimum finance lease payments	**966,650**	**1,118,838**	**1,778**	**1,931**
Less:				
Recoverable GST	(64,041)	(101,537)	-	-
Future finance lease charges	(262,309)	(327,709)	-	-
Present value of minimum finance lease payments	**640,300**	**689,592**	**1,778**	**1,931**

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	
		2013	2012
Rolling Stock Holdings (Victoria) Pty Limited	Australia	100%	100%
Rolling Stock (Victoria – VL) Pty Limited	Australia	100%	100%
Rolling Stock (VL-1) Pty Ltd	Australia	100%	100%
Rolling Stock (VL-2) Pty Ltd	Australia	100%	100%
Rolling Stock (VL-3) Pty Ltd	Australia	100%	100%

Note 19. Contingent liabilities

Environmental and property contingent liabilities

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

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

Indemnities

Infrastructure leases with the Director of Public Transport (DPT)

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

Subject to the note below relating to 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

1. 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 defendant).
2. The Consolidated Entity is the first named defendant in proceedings relating to injuries allegedly sustained by the plaintiff Rhonda Youseff as a result of a slip/trip at the Williamstown Railway Station car park. The parties in the proceedings are:
   - Rhonda Youseff (plaintiff), Victorian Rail Track (VicTrack) (first defendant) and Connex Melbourne Pty Ltd (second defendant).
3. The Consolidated Entity is the first named defendant in proceedings relating to injuries allegedly sustained by the plaintiff Margaret Widdowson as a result of a slip/trip at a pedestrian railway crossing at the Parkdale Railway Station. The parties in the proceedings are:
   - Margaret Widdowson (plaintiff), Victorian Rail Track (VicTrack) (defendant).
4. The Consolidated Entity is the third-named defendant in County Court proceedings relating to the plaintiffs' claim (as landowners adjacent to VicTrack land) for (1) an injunction requiring the lessee of VicTrack land at Prahran to remove or demolish a brick wall from the boundary between the plaintiffs' land and the leased land and (2) an injunction preventing the lessee of VicTrack's land from transferring its leasehold interest to anyone other than the plaintiffs. The parties in the proceedings are:
   - Rhonda Lea Munnich (first plaintiff); Darren John Munnich (second plaintiff); George Parzis (first defendant); Thomas Place Railway Land Pty Ltd ACN 160 814 504 (second defendant); Victorian Rail Track (third 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.

Notes to the Financial Statement (continued)

30 June 2013

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. Terry Mulder MP, Minister for Public Transport (From December 2010)
The Hon. Kim Wells MP, Treasurer (December 2010 to March 2013)
The Hon. Michael O'Brien MP, Treasurer (From March 2013)

Directors of the Board:

Mr Bob Annells (Chair)
Mr Yehudi Blacher (Deputy Chair)
Ms Sam Andersen
Mr Brian Bulluss
Mr David Hunter
Ms Jenny Roche
Mr Tony Shepherd AO (Retired 12 July 2012)
Mr Michael Trumble (Appointed 4 December 2012)

Accountable Officer:

Mr Bob McDonald (1 July 2012 to 31 July 2012)
Ms Cynthia Lahiff (1 August 2012 to 5 February 2013)
Mr Campbell A. Rose (Appointed 6 February 2013)

Remuneration of Responsible Persons:

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

Income Band	Consolidated		Parent	
	2013 No.	2012 No.	2013 No.	2012 No.
$0,000 to $9,999	1	1	1	1
$20,000 to $29,999	1	2	1	2
$30,000 to $39,999	3	3	3	3
$40,000 to $49,999	2	2	2	2
$50,000 to $59,999	-	1	-	1
$100,000 to $109,999	1	-	1	-
$140,000 to $149,999	1	-	1	-
$160,000 to $169,000	1	-	1	-
$310,000 to $319,999	1	-	1	-
$380,000 to $389,999	-	1	-	1

Total Remuneration of Responsible Persons: $942,886 (2012: $678,374).

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 first named Accountable Officer's remuneration for the year ended 30 June 2013 included the total salary package received during the period and payment for long service leave and annual leave upon resignation. The second and third named Accountable Officers' remuneration for the year ended 30 June 2013 included the total salary package received during the period. The Accountable Officer's remuneration for the 30 June 2012 year 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.

In addition, the first named Accountable Officer received an amount of $91,394 pursuant to a legal settlement with the Department of Transport, Planning and Local Infrastructure for the year ended 30 June 2013.

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

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	
	2013 No.	2012 No.	2013 No.	2012 No.
<$100,000	2	-	3	-
$110,000 - $119,999	1	-	2	-
$120,000 - $129,999	-	-	-	1
$130,000 - $139,999	1	-	1	2
$140,000 - $149,999	-	2	-	1
$150,000 - $159,999	-	1	2	3
$160,000 - $169,999	2	3	3	4
$170,000 - $179,999	3	2	2	1
$180,000 - $189,999	2	3	4	2
$190,000 - $199,999	1	1	-	1
$200,000 - $209,999	3	1	-	-
$210,000 - $219,999	1	1	2	2
$220,000 - $229,999	-	-	-	-
$230,000 - $239,999	-	-	-	2
$240,000 - $249,999	1	2	1	-
$250,000 - $259,999	1	-	-	-
$260,000 - $269,999	1	-	-	-
$270,000 - $279,999	1	2	-	-
$360,000 - $369,999	-	1	-	-
Total numbers	**20**	**19**	**20**	**19**
Total annualised employee equivalent	**16.7**	**18.4**	**16.7**	**18.4**
Total amount	**$3,679,343**	**$3,853,057**	**$3,081,344**	**$3,302,421**

The Executive Officers' remuneration for the years ended 30 June 2012 and 30 June 2013 include the total salary package received during the year as well as performance bonuses relating to the years ended 30 June 2012 and 30 June 2013 respectively.

Note 22. Remuneration of auditors

	Consolidated		Parent	
	2013 $'000	2012 $'000	2013 $'000	2012 $'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	4	-	4	-
Payable as at 30 June	142	142	83	85
Total financial statement audit	**146**	**142**	**87**	**85**

Notes to the Financial Statement (continued)

30 June 2013

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:

Consolidated	Contractual financial assets or liabilities designated at fair value through profit/loss $'000	Contractual financial assets or liabilities held for trading at fair value through profit/loss $'000	Contractual financial assets – loans and receivables $'000	Contractual financial assets available-for-sale $'000	Contractual financial liabilities at amortised cost $'000	Total $'000
2013						
Contractual financial assets						
Cash	-	-	4,307	-	-	4,307
Other financial assets	-	-	20,489	-	-	20,489
Trade and other receivables	-	-	23,482	-	-	23,482
Total contractual financial assets	**-**	**-**	**48,278**	**-**	**-**	**48,278**
Contractual financial liabilities						
Trade and other payables	-	-	-	-	29,425	29,425
Secured loan	-	-	-	-	280,100	280,100
Lease liability	-	-	-	-	640,299	640,299
Total contractual liabilities	**-**	**-**	**-**	**-**	**949,823**	**949,823**
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	**-**	**-**	**-**	**-**	**1,051,314**	**1,051,314**

Parent	Contractual financial assets or liabilities designated at fair value through profit/loss $'000	Contractual financial assets or liabilities held for trading at fair value through profit/loss $'000	Contractual financial assets – loans and receivables $'000	Contractual financial assets available-for-sale $'000	Contractual financial liabilities at amortised cost $'000	Total $'000
2013						
Contractual financial assets						
Cash	-	-	2,664	-	-	2,664
Other financial assets	-	-	20,389	-	-	20,389
Trade and other receivables	-	-	150,215	-	-	150,215
Total contractual financial assets	**-**	**-**	**173,268**	**-**	**-**	**173,268**
Contractual financial liabilities						
Trade and other payables	-	-	-	-	28,391	28,391
Secured loan	-	-	-	-	-	-
Lease liability	-	-	-	-	1,778	1,778
Total contractual liabilities	**-**	**-**	**-**	**-**	**30,169**	**30,169**
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**

Notes to the Financial Statement (continued)

30 June 2013

Note 23. Financial Risk Management (continued)

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

Consolidated	Net holding gain/(loss) $'000	Total interest income/ (expense) $'000	Fee income/ (expense) $'000	Impairment loss $'000	Total $'000
2013					
Contractual financial assets					
Financial assets designated at fair value through profit/loss	-	-	-	-	-
Financial assets – loans and receivables	-	1,287	-	(218)	1,895
Financial assets available-for-sale recognised in net result	-	-	-	-	-
Financial assets available-for-sale recognised in other comprehensive result	-	-	-	-	-
Total contractual financial assets	**-**	**1,287**	**-**	**(218)**	**1,895**
Contractual financial liabilities					
Financial liabilities at amortised cost	-	-	-	-	-
Financial liabilities designated at fair value through profit/loss	-	-	-	-	-
Total contractual liabilities	**-**	**-**	**-**	**-**	**-**
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	**-**	**-**	**-**	**-**	**-**

Parent	Net holding gain/(loss) $'000	Total interest income/ (expense) $'000	Fee income/ (expense) $'000	Impairment loss $'000	Total $'000
2013					
Contractual financial assets					
Financial assets designated at fair value through profit/loss	-	-	-	-	-
Financial assets – loans and receivables	-	1,287	-	(218)	1,069
Financial assets available-for-sale recognised in net result	-	-	-	-	-
Financial assets available-for-sale recognised in other comprehensive result	-	-	-	-	-
Total contractual financial assets	**-**	**1,287**	**-**	**(218)**	**1,069**
Contractual financial liabilities					
Financial liabilities at amortised cost	-	-	-	-	-
Financial liabilities designated at fair value through profit/loss	-	-	-	-	-
Total contractual liabilities	**-**	**-**	**-**	**-**	**-**
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	**-**	**-**	**-**	**-**	**-**

Notes to the Financial Statement (continued)

30 June 2013

Note 23. Financial Risk Management (continued)

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

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

(a) Market risk

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

(i) Interest rate risk

Interest rate risk arises from the interest bearing financial assets and liabilities that VicTrack use. Minimisation of risk is achieved by undertaking short term interest bearing financial assets with Treasury Corporation of Victoria and established financial institutions.

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

Interest earned on cash assets is equivalent to the 11.00am cash rate less a fixed premium agreed by the Consolidated Entity and the bank. The weighted average interest rate for the year ended 30 June 2013 was 1.94% (2012: 3.06%). 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% (2012: 5.15%). Interest income earned on investments is variable. For the year ended 30 June 2013, the Consolidated Entity had interest bearing investments with a weighted average interest rate of 3.29% (2012: 4.69%).

(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.

(iii) Interest rate risk

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

Interest rate exposure of financial instruments

Consolidated	Weighted average effective interest rate %	Carrying amount $'000	Fixed interest rate $'000	Variable interest rate $'000	Non-interest bearing $'000
2013					
Financial assets					
Cash assets	1.94	4,307	-	4,236	71
Other financial assets	3.29	20,489	100	20,389	-
Trade and other receivables	-	23,482	-	-	23,482
Total financial assets		**48,278**	**100**	**24,625**	**23,553**
Financial liabilities					
Trade and other payables	-	29,425	-	-	29,425
Secured loan	5.37- 6.59	280,100	280,100	-	-
Finance lease	10.14	640,299	638,521	1,778	-
Total financial liabilities		**949,824**	**918,620**	**1,778**	**29,425**
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**

Notes to the Financial Statement (continued)

30 June 2013

Note 23. Financial Risk Management (continued)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

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

Interest rate exposure of financial instruments

Parent	Weighted average effective interest rate %	Carrying amount $'000	Fixed interest rate $'000	Variable interest rate $'000	Non-interest bearing $'000
2013					
Financial assets					
Cash assets	1.86	2,664	-	2,664	-
Other financial assets	3.28	20,389	-	20,389	-
Trade and other receivables	-	150,215	-	-	150,215
Total financial assets		**173,268**	**-**	**23,053**	**150,215**
Financial liabilities					
Trade and other payables	-	28,391	-	-	28,391
Secured loan	-	-	-	-	-
Finance lease	6.48	1,778	-	1,778	-
Total financial liabilities		**30,169**	**-**	**1,778**	**28,391**
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**

(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
2013			
Consolidated			
Cash and cash equivalents	4,307	-	4,307
Other financial assets	-	20,489	20,489
	4,307	**20,489**	**24,796**
Parent			
Cash and cash equivalents	2,664	-	2,664
Other financial assets	-	20,389	20,389
	2,664	**20,389**	**23,053**
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**

Notes to the Financial Statement (continued)

30 June 2013

Note 23. Financial Risk Management (continued)

(b) Credit risk

Ageing analysis of contractual financial assets

	Carrying amount	Not past due and not impaired	Past due but not impaired			Impaired financial assets
			31-90 days	91-180 days	Over 180 days	
	$'000	$'000	$'000	$'000	$'000	$'000
2013						
Consolidated						
Cash and cash equivalents	4,307	4,307	-	-	-	-
Other financial assets	20,489	20,489	-	-	-	-
Trade and other receivables	23,482	16,780	6,306	27	306	(218)
	48,278	**41,576**	**6,306**	**27**	**306**	**(218)**
Parent						
Cash and cash equivalents	2,664	2,664	-	-	-	-
Other financial assets	20,389	20,389	-	-	-	-
Trade and other receivables	150,215	143,576	6,306	27	306	(218)
	173,268	**166,629**	**6,306**	**27**	**306**	**(218)**
2012						
Consolidated						
Cash and cash equivalents	5,154	5,154	-	-	-	-
Other financial assets	38,653	38,653	-	-	-	-
Trade and other receivables	28,960	28,390	450	45	75	(209)
	72,767	**72,197**	**450**	**45**	**75**	**(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)**

(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 $66.2 million (2012: $69.5 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.

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
2013					
Consolidated					
Liquid financial assets					
Cash and cash equivalents	4,307	-	-	4,307	4,307
Other financial assets	20,489	-	-	20,489	20,489
	24,796	**-**	**-**	**24,796**	**24,796**
Financial liabilities					
Trade and other payables	29,425	-	-	29,425	29,425
Due to related parties	-	-	-	-	-
Secured loans	30,928	123,710	125,462	280,100	280,100
Finance leases	51,016	314,497	274,787	640,300	640,300
	111,369	**438,207**	**400,248**	**949,826**	**949,826**
Net inflow/(outflow)	**(86,573)**	**(438,207)**	**(400,248)**	**(925,030)**	**(925,030)**
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)**

Notes to the Financial Statement (continued)

30 June 2013

Note 23. Financial Risk Management (continued)

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

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
2013					
Parent					
Liquid financial assets					
Cash and cash equivalents	2,664	-	-	2,664	2,664
Other financial assets	20,389	-	-	20,389	20,389
	23,053	**-**	**-**	**23,053**	**23,053**
Financial liabilities					
Trade and other payables	28,391	-	-	28,391	28,391
Due to related parties					
Secured loans	-	-	-		
Finance leases	990	788	-	1,778	1,778
	29,381	**788**	**-**	**30,169**	**30,169**
Net inflow/(outflow)	**(6,327)**	**(788)**	**-**	**(7,116)**	**(7,116)**
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)**

(e) Sensitivity Analysis and assumptions

The Consolidated Entity's sensitivity to market risk is determined based on the observed range of actual historical data for processing five year period, with all variable other than the primary risk variable held constant. The Consolidated Entity's management can not be expected to predict movements in market rates and prices, sensitivity analyses shown for illustrative purposes only. The following movements are 'reasonably possible' over the next 12 months;

- a movement of 100 basis points up and 100 basis points down (2012: 100 basis points up and 100 basis points down) in market interest rates (AUD);

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

(f) Sensitivity analysis – Consolidated

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

Market risk exposure	Interest rate risk				
		-1.0%		1.0%	
	Carrying amount subject to interest $'000	Net result $'000	Revaluation reserve $'000	Net result $'000	Revaluation reserve $'000
2013					
Financial assets:					
Cash and cash equivalents	4,236	(42)	-	42	-
Other financial assets	20,489	(277)	-	277	-
Trade and other receivables	23,482	-	-	-	-
Financial liabilities:					
Trade and other payables	29,425	-	-	-	-
Interest-bearing loans and borrowings	920,400	-	-	-	-
Total increase/(decrease)		**(319)**	**-**	**319**	**-**
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**	**-**

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 2013

Note 23. Financial Risk Management (continued)

(f) Sensitivity analysis – Consolidated (continued)

Sensitivity analysis – Parent

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

Market risk exposure	Interest rate risk				
		-1.0%		1.0%	
	Carrying amount subject to interest $'000	Net result $'000	Revaluation reserve $'000	Net result $'000	Revaluation reserve $'000
2013					
Financial assets:					
Cash and cash equivalents	2,664	(20)	-	20	-
Other financial assets	20,389	(277)	-	277	-
Trade and other receivables	150,215	-	-	-	-
Financial liabilities:					
Trade and other payables	28,391	-	-	-	-
Interest-bearing loans and borrowings	1,778	-	-	-	-
Total increase/(decrease)		**(297)**		**297**	
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**	

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

Net fair value of financial assets and liabilities

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

Consolidated	2013		2012	
	Carrying amount $'000	Net fair value $'000	Carrying amount $'000	Net fair value $'000
FINANCIAL ASSETS				
Cash assets	4,307	4,307	5,154	5,154
Other financial assets	20,489	20,489	38,653	38,653
Trade and other receivables	23,482	23,482	28,960	28,960
Total financial assets	**48,278**	**48,278**	**72,767**	**72,767**
FINANCIAL LIABILITIES				
Trade and other payables	(29,425)	(29,425)	(57,809)	(57,809)
Borrowings	(920,400)	(862,453)	(993,506)	(989,644)
Total financial liabilities	**(949,825)**	**(891,877)**	**(1,051,315)**	**(1,047,453)**
Net financial assets	**(901,547)**	**(843,599)**	**(978,548)**	**(974,686)**

Parent	2013		2012	
	Carrying amount $'000	Net fair value $'000	Carrying amount $'000	Net fair value $'000
FINANCIAL ASSETS				
Cash assets	2,664	2,664	3,432	3,432
Other financial assets	20,389	20,389	38,553	38,553
Trade and other receivables	150,215	150,215	155,380	155,380
Total financial assets	**173,268**	**173,268**	**197,365**	**197,365**
Financial liabilities				
Trade and other payables	(28,391)	(28,391)	(54,683)	(54,683)
Borrowings	(1,778)	(1,778)	(1,931)	(1,931)
Total financial liabilities	**(30,169)**	**(30,169)**	**(56,614)**	**(56,614)**
Net financial assets	**143,099**	**143,099**	**140,751**	**140,751**

Notes to the Financial Statement (continued)

30 June 2013

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:

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 and pronouncements. This index has been prepared to facilitate identification of VicTrack's compliance with statutory disclosure requirements.

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FRD 13	Disclosure of parliamentary appropriations	N/A
FRD 21B	Disclosure of responsible person, executive officers and other personnel (contractors with significant management responsibilities) in the Financial Report	60
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Appendices

Crossing Upgrades completed by VicTrack 2012-13

State Level Crossing Upgrade and Pedestrian Upgrade Programs 2012–13 (Total 19 Upgrades)

Location	Treatment	
Lardners Track, Warragul	Flashing Lights to Boom Barriers	1
Church Street, Colac	Flashing Lights to Boom Barriers	1
Old Timboon Road, Camperdown	Passive to Boom Barriers	1
Thomson Street (Terang-Mortlake Road), Terang	Flashing Lights to Boom Barriers	1
Meiklejohn Street, Camperdown	Flashing Lights to Boom Barriers	1
Cosgrove and Littles Roads, Terang	Flashing Lights to Boom Barriers	1
Highett Road, Highett	Active Gated and DDA Compliance	1
Highett Road, Highett	Active Gated and DDA Compliance	1
Up end of platform, Croydon	Active Gated and DDA Compliance	1
Belgrave–Gembrook Road, Emerald	Flashing Lights to Boom Barriers	1
Long Pockit Lane, Selby	Flashing Lights to Boom Barriers	1
Belgrave-Gembrook Road, Clematis	Flashing Lights to Boom Barriers	1
Banks Road, Mannerim	Passive to Boom Barriers	1
Swan Bay Road, Mannerim	Passive to Boom Barriers	1
Howard Street, Epsom	Active Gated and DDA Compliance	1
Bungaree-Wallace Road, Bungaree	Flashing Lights to Boom Barriers	1
Lesters Road, Bungaree	Flashing Lights to Boom Barriers	1
Old Melbourne Road, Millbrook	Flashing Lights to Boom Barriers	1
Wescotts Road, Wallace	Flashing Lights to Boom Barriers	1

Fix Country Level Crossing Upgrade Program FY2012¬-13 (Total: 16 Upgrades)

Location	Treatment	
Ghazeepore Road, Mt Duneed	Flashing Lights to Boom Barriers	1
Reservoir Road, Pettavel	Flashing Lights to Boom Barriers	1
Howard Street, Epsom	Flashing Lights to Boom Barriers	1
Airport Road, Kerang	Flashing Lights to Boom Barriers	1
Mitchell Street, Kerang	Passive to Boom Barriers	1
Shadforth Street, Terang	Passive to Boom Barriers	1
Long Lake Road, Lake Boga	Passive to Boom Barriers	1
Rumbalara Road (Crossing Street), Mooroopna	Flashing Lights to Boom Barriers	1
Bridgewater-Raywood Road, Bendigo	Passive to Boom Barriers	1
Macorna Road, Macorna	Passive to Boom Barriers	1
Old Echuca Road, Kerang	Passive to Boom Barriers	1
Young Street, Mooroopna	Passive to Boom Barriers	1
Rumbolds Road, Sebastian (Raywood)	Passive to Boom Barriers	1
McQualters Road, Raywood	Passive to Boom Barriers	1
Inglewood Road, Raywood	Passive to Boom Barriers	1
Prairie Road, Prairie	Passive to Boom Barriers	1

Notes:
1. All upgrades on behalf of Department of Transport, Planning and Local Infrastructure.
   A further 10 upgrades were completed by V/Line under the Fix Country Level Crossing Upgrade Program during the financial year.

Appendices

Board members

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

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

At year end, the Board comprised seven independent, non-executive Directors – Bob Annells (Chair), Yehudi Blacher (Deputy Chair), Jenny Roche, Sam Andersen, Brian Bulluss, David Hunter and Michael Trumble.

Bob Annells

PSM

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 Queen's Honours List.

Yehudi Blacher

PSM, BA (Hons) MA, FIPA

Deputy Chair

Yehudi was appointed a Director and Deputy Chair of VicTrack in April 2012. He 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 the University of Melbourne.

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

Sam Andersen

LLB, CPA, FAICD, FFinsia

Director

Sam Andersen was appointed a Director of VicTrack in June 2010. She is Chair of the Audit and Risk Management Committee. Sam is a Board member of the Melbourne Convention and Exhibition Trust and Chair of the Risk Committee. She is a Director and Chair of the Audit Committee for Anteo Diagnostics Limited.

Sam began her career with a law degree and subsequently held senior executive positions with ANZ Bank, Commonwealth Bank of Australia and National Australia Bank. Following a career change from banking and finance into industry, Sam was appointed Chief Financial Officer at Lumacom Ltd and Chief Operating and Financial Officer of Multi-Emedia.com Ltd. She led the initial public offering for and became the Managing Director of Eyecare Partners Limited, a company which trebled in size in its first two years of operation. Sam is a former Director of Victorian Funds Management Corporation, Superpartners Pty Ltd, Rural Finance Corporation, Eyecare Partners Limited and Grain Growers Limited.

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 (University of Melbourne) 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 and is Chair of the Heritage Advisory Panel. David is a civil engineer specialising in strategic planning for physical and social infrastructure. David has more than 40 years' experience as a civil engineer, company director and manager, including 17 years in local government and 22 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 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. Jenny brings to the Board a wealth of experience in telecommunications, sales, marketing and governance. She is a Director of Board Business, a boutique management consulting firm focused on strategy, risk management, governance and executive coaching. She is an accredited director educator with the Australian Institute of Company Directors and was formerly an Executive Director of Telstra and a Director of Mobile Mentor Australia.

Michael Trumble

BCom, LLB

Director

Michael was appointed a Director of VicTrack in December 2012. Michael is a member of the Property and Environment Committee. He is a leading commercial property lawyer and is the principal of the firm Michael Trumble Legal. He has a wealth of experience in property law in development, construction and management, commercial leasing, purchasing and sales, joint ventures and other related transactions. He has worked on projects ranging from major office building developments to shopping centres and public infrastructure projects. In particular, his public infrastructure experience includes the Melbourne Airport International Terminal, the Commonwealth Games Village, the Melbourne Convention Centre project and the Regional Fast Rail project.

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 due to work commitments.

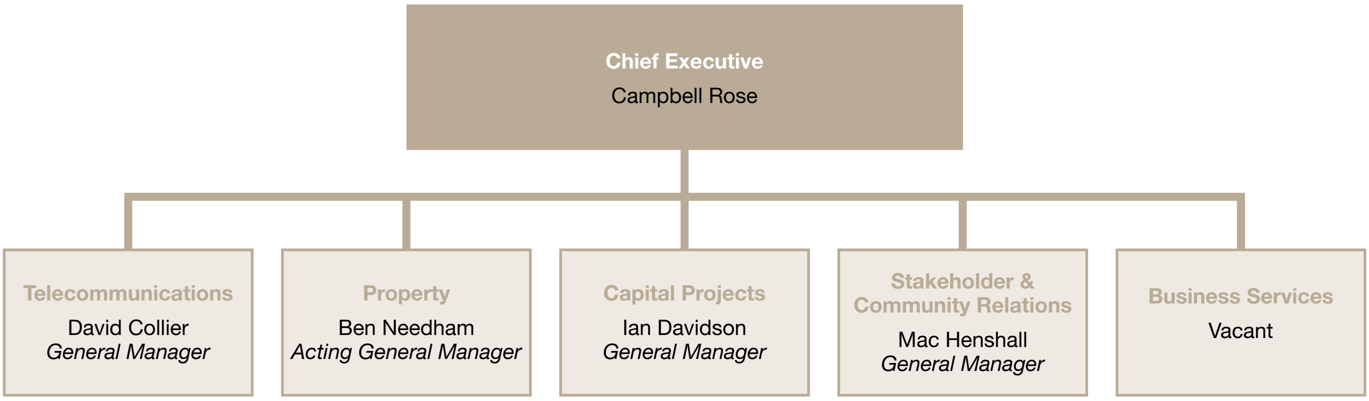
Appendices

Consultant table

Consultant	Purpose of Consultancy	Start date	End date	Total approved project fee (excluding GST)	Expenditure 2012-13 (excluding GST)	Future expenditure (excluding GST)
Firecone Ventures Pty Ltd	Telecommunications 2022 Strategic Framework	21/08/12	26/10/12	$215,200	$215,200	$-
SGS Economics and Planning Pty Ltd	Expert Economic Advice – Healesville rezoning	21/08/12	21/08/12	$10,000	$10,000	$-
Nexus Factor	Outdoor Advertising – Subject Matter Expert	21/11/12	29/01/13	$54,150	$37,940	$-

Executive team and organisational structure

The organisational structure as at 30 June 2013



Staff numbers

	Total 2012	Total 2013	Male 2012	Male 2013	Female 2012	Female 2013
All staff	362	325	277	250	85	75
Full time staff	293	279	222	218	71	61
Part time staff	9	10	2	2	7	8
Fixed term temporary staff	60	36	53	30	7	6
Casual staff	0	0	0	0	0	0
By age group						
Under 25 years	1	1	1	1	0	0
25-34	85	71	53	48	32	23
35-44	107	95	85	72	22	23
45-54	108	95	87	77	21	18
55-64	55	58	45	47	10	11
65 +	6	5	5	5	1	0

Mission, vision, values

Mission

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

Vision

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

Community consultation for the proposed Jewell Station development

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

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GPO Box 1681
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VicTrack

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